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IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1984

GARTER-BARE COMPANY, a limited partnership, and KNUT L. BJORN-LARSEN,
Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI
To the United States Court of Appeals for the Ninth Circuit

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QUESTIONS PRESENTED

1. Is it a violation of the Seventh Amendment to the United States Constitution for a federal court, using its legal conclusion of patent invalidity for obviousness in one count, to reexamine and overturn a jury's general verdict on a separate fraud count?

2. Is it a violation of the Seventh Amendment to the United States Constitution for a federal court to disregard sufficient and substantial evidence, to treat as merely advisory a properly instructed jury's finding of patent validity and its presumed findings for the patentee on all four of the factual tests established by this Supreme Court, and to enter JNOV based on a legal conclusion of obviousness?

3. Do the conflicts between the Courts of Appeals for the Ninth Circuit and for the Federal Circuit on the proper role of a jury in patent cases and on other critical

patent issues require resolution by the Supreme Court?

4. Does the decision below, in sanctioning (a) disregard of sufficient evidence for patentee on all of the four factual tests of nonobviousness created by this Court; (b) refusal of requested special jury findings on factual tests for obviousness of an invention; (c) dismissal of the jury's general verdict of validity and its presumed underlying factual findings as advisory; (d) entry of JNOV without consideration of the invention as claimed, in disregard of the presumption of validity and burden of proof, (e) and failure of the appeals court to independently review the issue of obviousness, so far depart from the accepted and usual course of judicial proceedings as to call for an exercise of the Supreme Court's power of supervision?

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Reasons for Granting the Writ

1. The Decision Below, By Permitting the Trial Judge to Reexamine the Fraud Facts Under Patent Law Standards Rather Than According to the Rules of Common Law, Raises Significant and Recurring Problems Concerning the Right to a Jury Trial in a Suit For Damages For Common Law Fraud, Which Suit Also Involves Separate Patent Counts 11

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IN THE
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GARTER-BARE COMPANY, a limited partnership, and KNUT L. BJORN-LARSEN,

Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,

Defendant and Respondent.

PETITION FOR A WRIT OF CERTIORARI to the United States Court of Appeals for the Ninth Circuit

The Petitioners, GARTER-BARE COMPANY ("Garter-Bare") and KNUT L. BJORN-LARSEN ("Larsen"), plaintiffs and appellants below, respectfully pray that a writ of certiorari issue to review the opinion and judgment of the United States Court of Appeals for the Ninth Circuit rendered in these proceedings on May 1, 1984.

OPINIONS BELOW

The opinion of the Court of Appeals,

reported in 723 F.2d 707, appears at App. A-1 to A-15, inclusive, infra; the rulings of the Court of Appeals on the Petitioners' petition for rehearing and on the Respondent's petition for rehearing and request for rehearing en banc, which are not reported, appear at App. A-16 to A-18, inclusive, infra,; the opinion of the District Court for the Central District of California is unreported, and appears at App. A-19 to A-37, inclusive, infra.

JURISDICTION

The judgment of the Court of Appeals (see App. A-1 to A-15) was originally filed and entered January 13, 1984. Petitioners filed a timely petition for rehearing and the order denying this petition (App. A-16) was filed and entered April 3, 1984. The mandate, having issued in error by the Clerk, was recalled by Order filed and entered April 23, 1984 pending disposition of Respondent-appellee's timely-filed

petition for rehearing and request for rehearing en banc. Respondent's petition and request was denied May 1, 1984. see App. A-18. This petition for certiorari was filed less than 90 days from the date aforesaid. The jurisdiction of this honorable Court rests on 28 U.S.C. Section 1254(1).

CONSTITUTIONAL PROVISIONS INVOLVED

Constitution of the United States, Article I, Section 8:

> "Section 8. The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Constitution of the United States, Amendment VII:

> "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of a trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to to the rules of common law."

STATEMENT OF THE FACTS

Petitioner Larsen conceived a novel and unique form of ladies' girdle which employed plastisol strips chemically formed in situ and imbedded in the inner aspects of the legs of the girdle which held up stockings without the use of garters. He formed a limited partnership, Garter-Bare Co., to exploit the invention. Garter-Bare entered several written agreements with Respondent Munsingwear, Inc.("Munsingwear") which envisioned cooperative research and development efforts of the parties, followed by an exclusive license in favor of Munsingwear for a limited period, followed by a joint licensing of the industry. A confidential relationship existed between Petitioners and Munsingwear before and after the contracts were entered into. Larsen applied for patents on two different versions ("double layer" and

"single layer") of his invention. After Munsingwear had obtained confidential trade secret information and know-how from Petitioners, including the actual machine Larsen invented to cause the elastomeric material to adhere to the girdle material, Munsingwear falsely represented to Petitioners that its market tests showed the product would not be successful, falsely represented that Munsingwear was abandoning the project, and purported to terminate the contract without going into the licensing phase. Without Petitioners' knowledge, Munsingwear had previously hired a girdle designer ("Cuozzi") to whom it furnished Petitioners' materials and concepts, and who worked with the technicians who had received the disclosures from Petitioners of the method of applying the plastisol and other trade secrets. Cuozzi, as a Munsingwear employee, then developed an identical

girdle, and with the cooperation of Munsingwear's patent attorney applied to the patent office for a patent, naming Munsingwear as assignee, without disclosing Munsingwear's knowledge of Petitioners' prior inventions, while concealing the true facts from Petitioners. This application resulted in the grant of a nearly identical patent ("the '944 patent") which was issued a year after Larsen's single layer patent ("the '748 patent"; App.A-38) was issued. While Larsen's application for the '748 patent was still pending, and before the Cuozzi '944 patent was even applied for, Munsingwear commenced advertising and selling girdles employing Petitioners' concepts, to which were annexed the words "patent pending", and proceeded to sell millions of dollars worth of these "Stocking Locking" garments.

Petitioners sued for damages for

common law fraud, damages for unfair competition and interference with prospective advantage, damages for wrongful appropriation of trade secrets, breach of contract damages, patent infringement and a declaration of validity of the '748 patent, and assignment to them of the Cuozzi '944 patent. While the case was pending, Munsingwear, without notice to either the Court or Petitioners, dedicated the Cuozzi '944 patent to the public. Shortly before the case was originally to go to trial, the Honorable Jesse Curtis, District Judge, granted Munsingwear's motion for summary judgment on all counts, which was reversed by the Ninth Circuit Court of Appeals in 1980 (Garter-Bare Co. v. Munsingwear, Inc. 650 F.2d 975). The matter then proceeded to a six-week jury trial, Judge Curtis presiding. On the patent counts, Petitioners requested specific verdicts on certain Graham v. John Deere, Inc. (383

U.S. 1, 17, 86 S,Ct. 684, 693-694, 15 L.Ed 2d, 556, (1966)) factual inquiries but the trial judge submitted only the ultimate questions of validity and infringement to the jury. The jury was properly instructed on all issues, including the law of patents.

The jury after several days' deliberations awarded Petitioners $15,000,000 damages plus $15,000,000 exemplary damages on their common law fraud count, and also awarded Petitioners $500,000 damages on the unfair competition count and $500,000 on the trade secrets count. The same jury rendered a verdict in Petitioners' favor on the patent issues, finding the '748 patent valid and infringed, awarding Petitioners a 7% patent royalty. The jury's finding of validity, and its implied findings for Petitioners on the Graham v. John Deere,Inc. factual

tests, were supported by substantial and sufficient evidence. The District Court disregarded the jury's finding of validity and decided as a matter of law that the Petitioners' patent was invalid because the invention was obvious to an ordinary person skilled in the pertinent art, and granted Respondent's motion for judgment notwithstanding the verdict ("JNOV") on all counts except the fraud count. All the grants of JNOV were backed up by alternative grants of new trial.

As to the fraud count, the District Court reexamined the jury's common law fraud verdict and granted a new trial on the fraud count on the issue of liability on the basis that the jury relied on the validity of the patent, which the Judge had found obvious as a matter of law, in returning its verdict for Petitioners on fraud. The only weighing of evidence in the fraud count undertaken by the District

Judge was on the issue of Statute of Limitations, as to which he concluded the jury's finding was against the great weight of the evidence. The District Judge also granted a new trial on fraud damages. Thereafter, the District Judge granted Respondent's motion for summary judgment on the fraud count on the basis of Statute of Limitations.

On appeal by Petitioners, the Ninth Circuit reversed the summary judgment on the fraud count on the basis that the Statute of Limitations had not run, and reversed the JNOV on the trade secrets and unfair competition counts.

On the patent issues, the Court of Appeals, without reviewing the factual issues determined by the jury and without making any independent review of the issue of nonobviousness, merely concluded that the record did not show the District Court's decision was clearly erroneous, and

affirmed the JNOV on the patent counts.

The Court of Appeals upheld the grant of a new trial on the fraud count liability, as well as damages, agreeing with the trial judge that the patent issue was "intertwined" with the fraud issue. Both sides petitioned for rehearing, and Munsingwear sought a rehearing en banc, all of which petitions were denied.

REASONS FOR GRANTING THE WRIT

Petitioners respectfullysubmit that this case, and issues raised in it, are of extreme importance dealing with difficult questions of law which should be reviewed and answered by this Court. This case, as finally decided, will affect every present and prospective inventor planning to seek or license a patent, in that it will determine whether his patent will receive the full protection of our judicial system, or whether the patent is actually a disadvantage because it deprives him of

equal protection of the laws, in that he cannot have a jury try and determine with binding effect any patent or non-patent issue in any lawsuit he might bring to enforce his rights.

This case has already achieved national and international attention. Petitioners believe it is a case of first impression as presented, although there are presently believed to be pending before this Court at least three other petitions approaching the patent-jury problem from different aspects. The decision, when rendered, will serve as a bellweather to establish if patentees can sue and recover for fraud, or whether their patents make them vulnerable to unredressed fraud and judicial fiat. The detailed reasons why Petitioners believe certiorari should issue are as follows:

1. THE DECISION BELOW, BY PERMITTING THE TRIAL JUDGE TO REEXAMINE THE FRAUD FACTS UNDER PATENT LAW STANDARDS RATHER THAN ACCORDING TO THE RULES OF COMMON LAW, RAISES SIGNIFICANT AND RECURRING PROBLEMS CONCERNING THE RIGHT TO A JURY TRIAL IN A SUIT FOR DAMAGES FOR COMMON LAW FRAUD, WHICH SUIT ALSO INVOLVES SEPARATE PATENT COUNTS.

Under the deliberate and unanimous findings of the jury following a six-week trial in this suit, Petitioners received a verdict for $15,000,000 on their count for common law fraud and deceit, to which the jury added $15,000,000 in punitive damages.

The evidence of fraud was for all intents and purposes uncontradicted. Petitioners produced scores of exhibits and testified at length and without contradiction showing the existence of a confidential relationship, the misrepresentations of Respondent and its officers made to Petitioners to induce various actions by them, the falsity of those representations, Respondent's knowledge of that falsity and its intent to

induce reliance, the Petitioners' reliance thereon, and the consequent damages. Respondent produced no evidence to contradict the fraud proof of Petitioners; in fact, Respondent called only two live witnesses, both unrelated experts having no knowledge of any facts pertaining to the fraud, who testified exclusively on patent issues.

Under a separate count in the same suit, Petitioners received a verdict that their patent was valid and infringed. Yet the District Court, after determining as a matter of law that the patent was invalid for obviousness, used this legal conclusion to overturn the jury's fraud verdict. In other words, using its perceived power to bar the jury from making factual determinations in order to find obviousness as a matter of law under Graham v. John Deere Co., the District Court invalidated

the patent and by boot-strap reasoning also invalidated the fraud verdict, granting a new trial on the issue of fraud liability. This was done without reexamining the fraud count facts in accordance with common law, which is required by the Seventh Amendment to the United States Consititution.

The Seventh Amendment to the United States Constitution clearly guarantees the right to trial by jury in civil cases and prohibits the court from reexamining any fact tried by a jury otherwise "than according to the rules of common law."

In the language of the District Court,

> "Plaintiff's claim of fraud was predicated to a large extent upon the validity of their patent and the misappropriation of their trade secrets." (App. A-29).

This statement finds no support in the record, and represents mere speculation on facts by the judge in a jury case. The District Court then proceeded to further expand its self-endowed fact-finding powers

by stating,

> "Having found in favor of plaintiffs on these two issues, the jurors no doubt relied to some extent on these findings in reaching their conclusion with respect to the issue of fraud." (App. A-29).

Again, this statement is totally unsupported, inasmuch as there were no special findings made respecting the fraud count on the issue of liability, and merely constitutes a judge's guess of what motivated a jury to reach a particular result. Moreover, the statement is contrary to the law. In a suit for fraud damages in which the validity of plaintiff's patent is also in issue, it is not a precondition to trying the fraud claim that the patent be first determined to be valid. Even a potentially invalid patent has value, and an unchallenged patent has significant economic value. Roberts v. Sears, Roebuck & Co., 573 F.2d 976, 981 (7th Cir. 1978; Lear v. Adkins, 395 U.S. 653, 669, 89 S.Ct.

1902, 23 L.Ed.2d 610 (1969).

The District Court then compounds its illogical position by stating (App. A-11):

> "Although there was some evidence upon which the jury could make such a finding separate and apart from any considerations of patent validity or trade secret misappropriation, it is impossible to tell the extent to which, if at all, the jury was influenced by the belief that the patent was valid and the trade secrets were misappropriated. Under these circumstances, it would appear that a new trial is necessary in order that a jury may determine the issues [sic] of fraud in its proper setting."

First, the above-quoted statement totally contradicts the earlier quoted statements of the District Court. If it is impossible, as the Court says, to tell to what extent, if at all, the jury was so influenced, then how could the District Court have concluded that "the jury no doubt relied to some extent on these findings?" Secondly, it is not the function of a judge, under the common law, to determine whether a jury's determination

of patent validity was correct or incorrect.

Patent law in this country had its genesis in Article I, Section 8 of the United States Constitution and is a creature of federal statute (35 United States Code 1, et seq.), and cases dealing with patent law are essentially, if not exclusively, matters within the province of the federal courts. The common law tests applicable here to determine whether the Court should grant a new trial of the fraud count were whether the evidence was insufficient to justify the verdict, or whether the verdict was against the law. The District Court made no such finding, and in fact acknowledged there was evidence to support the finding of liability for fraud. The District Court set up an impermissible additional test for upholding a fraud verdict, to-wit, the validity of a

patent alleged in another count of the complaint, and knocked down this straw man to provide a basis for throwing out the fraud verdict. Thirdly, the District Court for all practical purposes treated the jury's fraud verdict as advisory, just as it treated the jury's patent verdict. The District Judge overturned the fraud verdict in a manner other "than according to the rules of common law". This was an abuse of discretion.

Petitioners do not believe the power, if it exists, to treat a jury verdict in a patent infringement suit as merely advisory, entitles a Court to treat the jury's fraud verdict as advisory as well. If this were the case, then juries in all cases involving both patent and non-patent issues would become mere "advisers" whose findings the trial judge has the power to disregard, whose attentiveness and interest will be diminished by their

knowledge of their unimportant role, and whose facade serves only to give the litigant the false impression he is receiving due process.

While a trial court has broad discretion to grant a new trial, the authorities indicate that in order to protect the right to a jury trial, the trial judge has greater discretion in denying than in granting a new trial. (Lind v. Schenley Indus., 278 F.2d 79, 90 (2d Cir. 1960; See, Article, "Jury Subordination Through Judicial Control", 43 Law and Contemporary Problems 24, 48; See, 11 Wright & Miller, Federal Practice and Procedure, p. 125). These clear errors by the District Court amounted to an abuse of the trial court's discretion, and the order granting a new trial on the issue of fraud liability should have been reversed by the Court of Appeal.

The Court of Appeals did not reverse this abuse of discretion by the District Court, but instead approved the rationale of the District Court, stating:

> "...we have no difficulty in affirming the grant of a new trial as to damages. The closer question is whether a new trial is warranted on the issue of liability. The scale tips in favor of the district judge's evaluation of the interrelationship of the various claims and the potential impact on the fraud verdict of the jury's assumption that the Larsen '948 [sic] patent was valid." (App A-7, A-8).

The Court of Appeal thus overlooked a crucial difference between the role of the jury in finding facts supporting a verdict for common law fraud, and the role of the District Judge in making his own findings on the Graham factual tests to support his legal conclusion of obviousness. The Court's legal findings on the patent count should not be the basis for reexamining facts found by a jury in another count. A

judge has no independent power, in a fraud case where the jury's verdict is supported by the great weight of the credible evidence, to find on the ultimate issue as a matter of law, regardless of what the jury found. As was said by the Federal Circuit Court in Railroad Dynamics, Inc. v. A. Stucki Co., supra, at p. 1515: "...legal conclusions are not proved; facts are."

Thus, the Trial Court reexamined facts in a jury trial in a manner forbidden by the the Seventh Amendment to the Constitution, and the Court of Appeals approved such action, and by its action has deprived plaintiffs of the fruits of that verdict, and because of the costs of relitigation and the relative worth of the parties, may have effectively and permanently denied Petitioners any relief.

Petitioners respectfully urge that

the jury here, in rendering its general verdict on fraud, necessarily made findings, albeit unwritten, in favor of Petitioners on all the elements of a common law fraud cause of action; that validity of the '748 patent was and is not an element necessary to be proved before fraud liability can be found; that the jury's implied findings were supported in each case by substantial, sufficient, overwhelming and in most cases uncontradicted evidence; and that any legal conclusion by the jury on the issue of patent validity is irrelevant to the jury's finding of fraud.

For these reasons, Petitioners respectfully ask that this Court issue its writ of certiorari to review this case, in order to protect the sanctity of the jury system and to preserve Petitioners' constitutional rights.

2. THE DECISION BELOW RAISES SIGNFICANT AND RECURRING PROBLEMS REGARDING THE ROLE OF A JURY IN SUITS INVOLVING PATENTS.

The District Court was requested by Petitioners to furnish to the jury special verdicts calling for findings of fact on the factual tests laid down in Graham and the District Court refused to do so. Instead, the District Court submitted verdicts to the jury requesting them to find on the ultimate issues of patent validity and infringement, and the jury found in Petitioners' favor on both.

The District Court then disregarded the jury's verdict, finding obviousness as a matter of law, and entered JNOV for Respondent on the patent counts, citing the "three-part factual analysis to use in the determination of obviousness" under Graham, supra. The District Court thus supplanted the jury's fact-finding ability with its own. While there may be some justification

for the application of technical legal principles in a patent case, the factual aspects of the scope and content of the prior art, the difference between the prior art and the claims at issue, and the level of ordinary skill in the pertinent art should not require any greater standard or cerebration to resolve than should any other fact issues in the case. The jury heard the same expert testimony, saw the same objects, documents, charts and drawings, and observed the same witness demeanor as did the trial judge. The jury was certainly as competent as the trial judge to observe and assimilate the prior art, the claims at issue, the level of skill (and the secondary factors spelled out in Graham, which the District Judge ignored) as was the trial judge.

Logically, the question of whether an invention is obvious to an ordinary person skilled in the pertinent art is every bit

as much a fact issue for the jury as is the question of whether a doctor in a malpractice case exercised that degree of skill or care usual in the profession. If juries, as triers of fact, can properly measure a standard of professional care applicable at a particular time and locale for physicians, engineers, eye surgeons, anesthesiologists, attorneys, accountants, chiropodists, architects, nurses, and numerous other practitioners (See, 4 Witkin, Summary of California Law, 8th ed., pp. 2778-2784), there is no logical reason why the same jury, after proper instructions on the standard of ordinary skill in the art, cannot find as a factual matter whether a particular invention was, at a particular time, obvious to one skilled in that art. A jury which is competent to evaluate complex facts in an anti-trust case should not be any less

competent to apply the above tests to a girdle or any other object which they are perfectly capable of buying, using and understanding.

Nor was the case so complex as to be beyond the intellectual capacity of a jury to resolve. As was said by the Ninth Circuit in In re United States Financial Securities Litigation, 609 F.2d 411 [1979] (cert.den. 100 S.Ct. 1866 [1980]), at p.43:

> "Although judges are lawyers, they generally do not have any more training or understanding of computer technology" -- [the Court might as well here have said 'girdle manufacturing'] -- "and economics than the average juror. Whether a case involves computer technology, aircraft design, or accounting, attorneys must still educate the uninitiated about the matters presented in their case. While we express great confidence in the abilities of judges, no one has yet demonstrated how one judge can be superior fact-finder to the knowledge and experience six jurors bring to bear on a case. We do not accept the underlying premises of appellees' argument in 'that a single judge is brighter than jurors collectively functioning together."

Even if a District Judge, by virtue of

his having sat through several or even scores of patent cases, is more and better qualified than jurors to understand the nuances of patent law, the significance of data and the jargon of expert witnesses, the Constitution specifically requires that parties are entitled to have juries try fact questions.

The question then becomes: What role should a jury play in a patent suit in which the issue of obviousness is raised? Is their role merely advisory, as held by the Ninth Circuit in the decision below (Pet.App. 1, p. 6) and in its en banc decision in Sarkisian v. Winn-Proof Corp., 688 F.2d 647, 651 (1982)? Or, as held by the Fifth Circuit in Control Components, Inc. v. Valtek, Inc., 609 F.2d 763, 767-769 (1980), is the jury to make preliminary factual determinations on the scope and content of the prior art and on the

differences between the prior art and the claims at issue, leaving to the trial judge the determination as a matter of law whether the improvement would have been obvious to a person having ordinary skill in the art? Or, as held by the Federal Circuit in Perkin-Elmer Corporation v. Computervision Corporation, 732 F.2d 888 (Fed.Cir. 1984), should the jury's presumed findings on nonobviousness encompassed in its verdict of validity be upheld if supported by substantial evidence?

The efforts of various Circuits to establish detailed rules based on Graham during the past 18 years in some cases appear to border on sophistry. The problem is compounded by the tendency of appellate courts to give great deference to the trial judge on matters involving fact-finding, because the appellate court would be hard pressed to decide the Graham factual inquiries differently than did the trial

judge, who had the benefit of seeing all the exhibits, hearing the witnesses, observing their demeanor, determining their credibility, etc. But that is exactly what juries are impanelled to do. The problem becomes constitutional, and one requiring the supervision of this Court, when the law of the Circuit encourages District Judges to utterly disregard the jury's actual and presumed findings based on substantial evidence by decreeing that jury verdicts are "advisory only."

In the present case, the District Judge, after launching his assault on Petitioners' patent with the premise that Petitioners "have the burden of proving nonobviousness" and dispatching the presumption of validity by disregarding the jury's presumed finding of differences between the prior art and the claims at issue, concluded that "the invention is

obvious, for in its creation Larsen has not produced anything beyond the ordinary skill in the art."[1/]

Since the rule of law in the Ninth Circuit is that the jury's verdict is merely advisory, the District Judge followed that law, determined the issue of obviousness independently of the jury's verdict and was upheld by the Ninth Circuit

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1/ To reach this conclusion required the trial judge to disregard several days of testimony from Petitioner Larsen; Respondent's own literature announcing "a revolutionary new concept in girdles"; the testimony of Respondent's Vice President that he had a "positive glow" about Larsen's adhesive agent (none of the prior art relied on by the trial judge used adhesives); the testimony and memoranda of Respondent's chief engineer Thistlethwaite showing how he tried other variables than Larsen's invention but how he eventually came back to it; the testimony by Respondent's Hughes about the state of the art when Respondent started research and development of the Larsen invention; the testimony of Petitioners' materials expert, Dr. Barsh, that "...to go through — well, the rigamarole, the steps necessary to develop the fabric, heat set it instantly, almost like the opposite of quick frozen, on the fabric, without damaging the fabric but hot enough to — well, put a degree of permanency on that plastisol. That was important so it wouldn't ever subsequently get gummy, gooey, run or whatever. It had to be dry to the touch, but it had to be soft to the body and it had to have the adhesive characteristics, and totally unknown to us."

Court of Appeals. The District Judge did the very thing which was so roundly condemned by the Federal Circuit in Perkin-Elmer, supra, in that he chose

> "...to totally ignore the rules applicable to jury trials in non-patent cases, or to proceed as though the jury had never been impanelled, had never been instructed on the issue, had never considered the issue, and had never rendered a verdict based on its conclusion."

The same Federal Circuit decision strongly criticizes the Ninth Circuit's characterization of the jury's role on nonobviousness as "advisory", stating in a footnote, at 732 F.2d 895:

> "The view suggested in Sarkisian, that a jury verdict on nonobviousness is at best advisory, would make charades of motions for directed verdict of JNOV under Fed.R.Civ.P. 50 in patent cases. Those motions only apply to binding jury verdicts. See 9 Wright and Miller, Federal Practice and Procedure Sec. 2523 (1982).
>
> "Moreover, use of any advisory jury is limited to actions not triable of right by a jury, Rule 39(c), Fed.R.Civ.P., and Rule 52(a), Fed.R.Civ.P., requires the court to

enter its own set for findings and conclusions just as it must do when sitting without a jury. That requirement, and the reluctance to take days or weeks of jurypersons' lives for service as mere advisors, appear to account for the virtual universal use of advisory juries.

"Moreover, the notion that patent cases are somehow outside the mainstream of the law, and that special, judge-designed rules not applicable to other types of jury trials must be applied when a "patent case" is tried before a jury, finds no support in the statute, in the Federal Rules of Civil Procedure, or in the Seventh Amendment to the Constitution."

As was stated by the same Federal Circuit Court of Appeals in Connell v. Sears, Roebuck & Co., 722 F.2d 1542 (Fed.Cir. 1984), at page 1546:

"Jury verdicts must be treated with great deference. The Seventh Amendment of the Constitution preserves the right to Trial by jury in suits at common law and also provided that the United States Courts shall not re-examine facts tried by the jury except under the rules of common law. With the merger of law and equity, denial of the right in certain types of cases ceased. Permitting the jury to draw legal conclusions based on the jury's fact findings and reached in light of instructions on the law has been

preserved as part of the right. The Court, though it remains ultimately responsible for upholding the law applicable to the facts found, cannot substitute its view for that of the jury when to do so would be an effective denial of the right to Trial by jury."

In another case, the same Federal Circuit Court of Appeals stated:

"When and if Rules 49, 50, and 51, Fed.R.Civ.P., are repealed, there may be room for the restrictions of juries to a fact finding role and for prohibition of general verdicts in patent and other types of jury trials. Until that day, a prohibition of general verdicts (and disregard of the findings and legal conclusions of a jury must make in reaching those verdicts) cannot be accomplished by judicial fiat.

"There is, of course, no reason for considering patent cases as somehow out of the mainstream of the law and rules of procedure applicable to jury trial for centuries under our jurisprudence. Until waiver of jury trials was permitted by the Act of March 3, 1865, ch. 86, Sec.4, 13 Stat. 501, all cases at law were tried by juries. The comparatively recent resurfacing of jury trials in patent cases, though productive of discomfort for some judges and commentators, may or may not be wise or welcome; it forms no basis for creation of special and unauthorized rules, or for the consequent risk of effectively denying the constitutional right spelled out in the first clause of the Seventh Amendment." Railroad Dynamics, Inc. v. A. Stucki Co.,

727 F.2d 1506, 1514-1515 (Fed.Cir. 1984).

On the important and recurring issue of the role of a jury in cases involving patents, there is a clear inconsistency between the position of the Ninth Circuit (which affirmed the JNOV granted by the District Judge who disregarded the jury's general verdict and presumed findings and decreed the Petitioners' invention obvious as a matter of law), and the position of the Federal Circuit, the Fifth Circuit and other circuits. Both views claim to find support in Graham v. John Deere, Inc.. In today's world of instant communication, rapid duplication of data and mass marketing by powerful organizations, where unprotected inventions are quickly copied by rapacious emulators, both foreign and domestic, the loss of the hard-earned Constitutional right to a jury trial in patent cases can have a chilling effect on

invention, creativity and enterprise. Obviously, the time has come for this Court to resolve these conflicting views, define with precision the role that juries are supposed to play in patent cases involving the issue of nonobviousness, and to resolve the constitutional question of the right to a jury trial in patent cases. Petitioners respectfully urge that this Court should clear up the uncertainties inherent in Graham's progeny, not just to reinstate the jury's determination of validity in the instant case, but for the sake of the American economy in general.

3. THE DECISION BELOW OF THE COURT OF APPEALS FOR THE NINTH CIRCUIT CONFLICTS WITH THE DECISIONS OF THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT WHICH ARE SUBSTANTIALLY INDISTINGUISHABLE.

As shown in the discussion of Perkin-Elmer and Connell, supra, in the preceding topic, there exists a strong disagreement between the Federal Circuit and the Ninth Circuit Courts of Appeals over the role of juries in patent cases involving the issue of nonobviousness. This conflict extends to decisions of the Federal Circuit involving a number of other issues which are substantially indistinguishable from the case at bar.

a. Standard of Review; JNOV.

In Railroad Dynamics, Inc. v. A. Stucki Co., 727 F.2d 1506 (Fed.Cir. 1984) the Federal Circuit had before it a case where the jury by the equivalent of a general verdict in favor of the patent owner found the patent valid and infringed.

There, as here, the infringer moved for JNOV. Unlike the present case, however, the trial judge carefully and exhaustively reviewed all the evidence and denied the post-trial motions and upheld the multimillion dollar verdict. On appeal, the Federal Circuit enunciated the requirements imposed on the trial judge in ruling on JNOV motions following a verdict for the patent owner. The Federal Circuit Court said that the test of whether "there was substantial evidence to support the verdict" did not mean that the District Judge, in considering a motion for JNOV attacking validity, must determine only whether the patent owner had introduced sufficiently substantial evidence to support that conclusion, since that approach would, contrary to 35 U.S.C. Section 282, shift to the patent owner the burden of proving facts establishing

validity. The Court stated (p. 1511) that it was only if the patent challenger's

> "evidence be such as to have so withstood the patent owner's rebuttal evidence that reasonable jurors could not have concluded that the patent is valid, the motion should be granted. If the patent challenger's evidence fails that test, the motion should be denied."

In the instant case, the District Judge made no such review of the evidence, but concluded that certain prior art not cited by the Patent Examiner (Anthon patent and Kleindienst patent) was the most pertinent, and on that basis disposed of the presumption of validity. This conclusion was reached despite substantial and sufficient rebuttal evidence that such art was no more than cumulative in that much more detailed art, which had been found by the Patent Examiner to be pertinent but not anticipatory, showed everything taught by the art relied on by the District Judge. Such cumulative art does not constitute the

"clear and convincing evidence" required by 35 U.S.C. 282 to overcome the presumption of validity. Also, the District Judge in the instant case disregarded the difficulties that even Respondent encountered in struggling to produce a reliable single layer garment (including over three years of experimentation after having the benefit of Petitioners' know-how, experimental machine and concept). Further, the District Judge, using hindsight, improperly combined parts from one patent with parts of another, disregarding the patents' actual teaching. The District Court, in overturning the jury verdict, did not compare the Anthon patent to any prior art of record but just adopted as a fact that Anthon was the most pertinent art; the District Court did not determine the level of skill in the pertinent art in 1963 and did not properly consider the differences between the Larsen invention and the prior

art but merely gave lip service to the Graham v. John Deere, Inc., standard.

The Ninth Circuit, rather than independently reviewing the ultimate question of obviousness, tersely upheld the District Court by stating, "We cannot say on this record that the district judge's conclusions were clearly erroneous." (723 F.2d at 711). In so doing, the Ninth Circuit acted in clear conflict not only with the rule enunciated by the Federal Circuit in Railroad Dynamics, Inc. v. A. Stucki Co., supra. but in direct conflict with its own prior rulings in Sarkisian, supra (to the effect that the appellate court should make an independent review on the issue of nonobviousness), and Fabrica Inc. v. El Dorado Corp., 697 F.21d 890 (9th Cir., 1980) (to the effect that the District Court's JNOV could only be upheld if, examining the evidence in the light most favorable to the party receiving the

verdict, there was no substantial evidence below to support the jury's verdict).

b. Burden of Proof.

The District Court's ruling, affirmed by the Ninth Circuit, placing the burden of proof of nonobviousness on Petitioners, is contrary to the Federal Circuit decision which places not only the procedural burden, but the burden of persuasion, on the party seeking to invalidate the patent. Stratoflex, Inc. v. Aeroquip Corporation, 713 F.2d 1530 (Fed.Cir. 1983). There it was held

> "Introduction of more pertinent prior art than considered by the examiner does not, therefore, 'weaken' or 'destroy' the presumption. Nor does such introduction 'shift' the basic burden of persuasion."

c. "Combination" patents.

The District Court's ruling, affirmed by the Ninth Circuit in the decision below, that a combination of old elements is patentable only when it produces a new and

surprising result is in conflict with Federal Circuit set forth in Medtronics, Inc. v. Cardiac Pacemakers, Inc., 714 F.2d 1543 (Fed. Cir. 1983):

> "There is neither a statutory distinction between 'combination patents" and some other, never defined type of patent, nor a reason to treat the conditions of patentability different with respect to 'combination patents.'

d. Graham factual tests.

The District Court and the Ninth Circuit in the decision below both recited the "three" Graham inquiries without any specific findings with respect to any of the three. The Federal Circuit, in reviewing a District Court's findings in Connell v. Sears, Roebuck & Co., 722 F.2d 1542 (Fed. Cir. 1984) at 1549 said:

> "The opinion says that when the THREE factual inquiries listed in Graham, supra, have been answered, the objective evidence of nonobviousness need not be considered. That approach ignores Graham's reference to a FOURTH inquiry, namely an inquiry into whatever objective evidence of nonobviousness (called "secondary considerations" and

"indicia" in Graham) may appear in the record. It is inappropriate and injudicious to disregard any admissible evidence in any judicial proceedings. Hence, all relevant evidence on the obviousness issue must be considered before a conclusion is reached. Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530 (Fed.Cir. 1983)."

In the case at bar, Petitioners pleaded with both the District Judge and the Ninth Circuit Court of Appeals to consider nonobviousness based upon the extensive evidence of the long felt need, commercial success, and other secondary considerations which dotted the trial record. Nonetheless, both the District Judge and the Ninth Circuit not only scrupulously avoided mentioning this evidence,[2/] but avoided even

2/ Such uncontradicted evidence of long-felt need included the following: The letter of Munsingwear's retired Board Chairman Humphrey that Larsen's concept "will offer the corset industry something that hasn't been offered since the introduction of nylon or spandex"; Munsingwear's Vice-President Hughes in charge of Women's Wear requested a license agreement with Petitioners within 24 hours after first seeing a sample of the Larsen garmet with its adhering feature; when Munsingwear introduced its copy, it guaranteed the product would really hold up ladies' stockings, yet it did not guarantee its gartered garments would do so.

mentioning the subject of the fourth Graham test. This alone should constitute error on the part of both courts. As was stated by the Federal Circuit in the recent case of Jones v. Hardy, 727 F.2d 1524 (Fed.Cir. 1984) at p.1531:

> "Jones introduced evidence of long-felt need and commercial success. Hardy's admitted infringement constitutes some evidence of the merits of the claimed invention over the prior art praised but avoided by Hardy. The objective indicia evidence in the record not having been mentioned,

---

2/ (continued)
Such uncontradicted evidence of commercial success included the following: Munsingwear's coining the new name "Stocking Locking", with considerable advertising fanfare, to accompany its version of the Petitioner's garment; introduction by Sears, Roebuck & Co. of its version of an adhering garment shortly after Munsingwear's "Stocking Locking" garment was introduced (Sears had previously made a garment [Burke patent, 1962] which used stitched rubber bands as the friction element); virtually every other ladies undergarment manufacturer brought out their own version incorporating the Larsen design after seeing the Munsingwear "Stocking Locking" girdle; Munsingwear was still advertising "Stocking Locking" girdles in its catalogs 12 years after their introduction, and after the advent of pantyhose; failure of Respondent to produce at trial a sample of any of the alleged prior art girdles, while Petitioners produced dozens of direct infringements by other manufacturers which occurred only after the "Stocking Locking" garment was introduced.

we must assume that it was not considered before the legal conclusion of obviousness was reached. That was error." (Emphasis supplied.)

The Jones v. Hardy case could hardly be closer to the case below. There, as here, the inventor devised his concept in 1963; his invention involved the curing of materials, among other things; he obtained more than one patent; his patents contained several claims; no known prior art satisfied the needs filled by the inventions; the claimed inventions were not obvious to the defendant; after learning of the invention, defendant sought to distribute the product, then copied the patented inventions; the inventor sued for infringement in the early 1970's, and District Judge Jesse Curtis granted defendant's motion for summary judgment; the Ninth Circuit reversed the summary judgment and remanded the case for trial, at which the issue was whether the claims

were invalid for obviousness. District Judge Curtis after trial determined the patents were invalid because Jones claimed "an inherent quality of a product long in use"; in so ruling, Judge Curtis made no mention of the Graham secondary considerations; on appeal the Court noted the litigation had consumed over 10 years; there was no issue of credibility; the evidence was not conflicting; the parties had had an ample opportunity to construct and had constructed a record. In addition, there were numerous other similarities with the case at bar. In reversing the judgment of the District Court, the Court said (at p. 1531):

> "Hardy, who admitted infringement and on whom rests the burden of establishing invalidity, has had two full and fair opportunities to do so. He has presumably submitted all evidence available to him. At the same time, Jones, who bore no burden on anticipation or obviousness, has undergone a summary judgment proceeding, a full trial, and two appeals. It can in this

instance be truly said: enough is enough.

> "Our study of the record convinces us that Hardy failed to carry the burden of establishing that the claimed inventions in suit would have been obvious at the time those inventions were made. In the interest of judicial economy, and to avoid what would be an unnecessary retrial burden on the witnesses, the parties and the district court, we reverse the judgment that claimed inventions would have been obvious."

It is respectfully suggested that the foregoing differences between the law of the Ninth Circuit and the law of the Federal Circuit justify this Court in granting certiorari in order to reconcile these conflicts and eliminate the confusion created by the decisional law of the Ninth Circuit.

4. THE DECISION BELOW HAS SO FAR DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS, AND HAS SO FAR SANCTIONED SUCH A DEPARTURE BY THE TRIAL COURT, AS TO CALL FOR AN EXERCISE OF THIS COURT'S POWER OF SUPERVISION.

By affirming the JNOV granted by the District Judge on the patent counts, rather reversing completely or even just reversing the JNOV and letting the alternative new trial order on the patent counts stand, the decision below denied Petitioners the right to have a jury try their patent case. By only reversing the JNOV on the fraud and other tort claims and leaving the alternative new trial orders to stand, the decision below forced the Petitioners into another round of what is becoming endless litigation. By giving 35 U.S.C. 103 and Graham an unwarranted construction so that patents may be invalidated for obviousness by a trial judge regardless of what the jury found or the evidence showed, the decision below has modified the law enacted

by Congress and interpreted by the Supreme Court. By thus denying Petitioners due process and sanctioning the District Judge's errors, the decision below has sharply departed from the accepted and usual course of judicial proceedings.

Perhaps because the panel deciding the case below was confronted with its own en banc precedent in Sarkisian, which it may have recognized as a departure from the law of other circuits, the decision below strongly suggested the termination of this litigation by settlement. (App. A-10). Indeed, the decision below in this 12-year old lawsuit, which has attracted international attention, not only casts a pall over the status of U.S. patents in general but emphasizes the insignificance of a jury in the face of a determined trial judge and calls into question the proper functioning of the federal judiciary.

The Federal Circuit in Jones v. Hardy, supra, stated (at 727 F.2d 1530) in reversing this same District Judge:

> "Judges are not constitutionally empowered to legislate their individual subjective views respecting the degrees of inventiveness, a distinct approach from that of determining validity on the basis of the evidence and the procedural rules. What is required to uphold the validity of a patent challenged under Section 103 is what Congress in Sections 103 and 282 has said is required, . . ."

This Court said essentially the same thing within the past week in admonishing the judiciary against acting on "personal policy preferences." This Court stated, in ruling 6-0 that a Washington, D.C. appellate court erred in overturning a set of EPA pollution regulations, "Federal judges -- who have no constituency -- have a duty to respect legitimate policy choices made by those who do."

Petitioners respectfully suggest that this case is one calling for the Supreme

Court's powers of supervision. This Court in the past has accepted cases on petitions for certiorari which involve factual issues concerning the validity and infringement of patents (Graham v. John Deere, Inc., supra); where this Court doubts the correctness of the decision below (Schriber-Schroth Co. v. Cleveland Trust Co., 305 U.S. 47, 50, 59 S.Ct. 8, 10, 83 L.Ed.2d 34 (1938) and cases cited); and where the Court of Appeals failed to bring proper statutory and legal considerations to bear upon the issues of validity or infringement (Sakraida v. Ag Pro, Inc. 425 U. S.273, 96 S.Ct. 1532, 47 L.Ed.2d 784 (1976)).

But more importantly, on this Court rests the prime responsibility for the proper functioning of the federal judiciary. This case involves, among other things, the construction of Rules 50(c) and 59, Fed.R.Civ.P., in that the decision below affirmed an abuse of discretion by

the trial court (See, 11 Wright & Miller, Federal Practice and Procedure,p. 125) and the construction of Rule 50(b) Fed.R.Civ.P., in that the decision below upheld a JNOV granted in the face of substantial and sufficient evidence supporting the verdict. See, 9 Wright & Miller, Federal Practice and Procedure, Sections 2524-2529.

The case also involves the resolution of a trial court judgment which, but for a matter of unfortunate timing from the Petitioners' standpoint, would have been appealed to the newly-created Federal Circuit, where the result would have undoubtedly been much different. Faced with markedly different standards of patentability in the various circuits, Congress saw fit to establish the Court of Appeals for the Federal Circuit with exclusive jurisdiction of patent cases

arising under 28 U.S.C. Section 1338(a), under which this case arose. The effective date for the Court of Appeals for the Federal Circuit to assume exclusive jurisdiction of these matters was October 1, 1982, shortly after this case was ap ealed to the Ninth Circuit, so jurisdiction remained transitionally with the Ninth Circuit.

Since establishment, the Court of Appeals for the Federal Circuit has sought in its opinions to clarify and overturn incorrect doctrines of patent law which have grown up in the various circuits. In the opinions issued to date, the Federal Circuit has held that the basic doctrines under which the District Court in the case at bar rendered its JNOV are faulty and not the true state of the law. Although the Ninth Circuit was not bound by decisions of the Federal Circuit, to follow overturned patent doctrines in the face of Federal

Circuit decisions renders injustice to the Petitioners, unintentional but still real and irreparable.

This Court can remedy this situation by making its independent determination of the law of this case consistent with the Federal Circuit's recent pronouncements and return the patent for retrial with the fraud issues under the standards set by this Court and by the Federal Circuit. This is particularly necessary in view of the District Court's and the Ninth Circuit Court of Appeals' concern that the fraud and patent issues are so intertwined. The issues, if intertwined at all, are intertwined from Petitioners' standpoint as well as the Respondent's. The Petitioners should not have their patent invalidated on application of improper standards and then have to try the intertwined fraud issues without benefit of their patent. If

perchance this case cannot be settled as desired by the Court, then the Federal Circuit Court of Appeals can review the patent and related issues under the uniform standard applied by that Court.

5. THE COURT OF APPEALS FOR THE NINTH CIRCUIT HAS DECIDED A FEDERAL QUESTION IN A WAY IN CONFLICT WITH APPLICABLE DECISIONS OF THIS COURT.

A significant departure from this Court's decision governing the role and function of a jury in a patent case is found in the Ninth Circuit's holding that the jury's patent verdict was advisory only.

This Court in Beacon Theatres, Inc v. Westover, 359 U.S. 500, 504, 79 S.Ct.948, 953, 3 L.Ed.2d 988 (1959) and in Dairy Queen, Inc. v. Wood, 369 U.S. 469, 479, 82 S.Ct. 894, 900, 8 L.Ed.2d 44 (1962) made it clear that a jury is required in patent cases much more than had previously been

believed. The former theory that patent infringement suits were basically for accounting, thus "equitable" in nature and hence not triable by juries, was abandoned in view of the liberal joinder rules of Federal pleading. Nonetheless, some lower courts have clung to the position that a jury cannot ultimately decide any patent question, and have used procedural levers to move control of the outcome of the case away from juries. In the case below, the fulcrum for that lever was located in the lower courts' interpretation of Graham's reservation of the ultimate issue of obviousness as a question of law.

The same the Ninth Circuit, in Sarkisian, supra, at 688 F.2d 651, took pains to point out that

> "In determining nonobviousness in all patent litigation, the trial court in a jury trial must submit to the jury determination of (i) the nature of the prior art, (ii) the differences between the prior ar and the patented device, and (iii) the ordinary level

of skill in the pertinent art."

Unfortunately, the en banc court in Sarkisian went on to state that the District Judge "may submit the ultimate fact of obviousness to the jury for a non-binding advisory opinion." The decision below built upon this concept to state that

> "The district judge granted judgment n.o.v. on the ground of the obviousness of the '748 patent, accepting the jury verdict as advisory only, and as was his right exercised the duty to determine the issue of obviousness as a matter of law."

Nothing in Graham suggests that the jury can be relegated to an advisory role. The Ninth Circuit's position in the decision below disregards the teachings of Beacon Theatres and Dairy Queen, and if not in direct conflict with Graham, at the very least misconceives, misapplies and misconstrues Graham. Such an apparent conflict, where the decision below seems to be out of line with the authorities, provides independent grounds for this

Court's exercise of its jurisdiction to grant certiorari. Braen v. Pfeifer Transportation Co., 362 U.S. 129, 130, 80 S.Ct. 247, 248, 4 L.Ed.2d 191, 193 (1959).

CONCLUSION

For the reasons stated, a writ of certiorari should issue to review the judgment and opinion of the Ninth Circuit.

Respectfully submitted,

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CLERK

No. 2163

IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1984

GARTER-BARE COMPANY, a limited partnership, and KNUT L. BJORN-LARSEN,

Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,

Respondent.

(Non-Patent Documents)
APPENDIX TO
PETITION FOR A WRIT OF CERTIORARI
To the United States Court of Appeals
for the Ninth Circuit

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July 2, 1984

APPENDIX

(NON-PATENT DOCUMENTS)

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GARTER - BARE COMPANY, an unincorporated association (a limited partnership), an Knut L. Bjorn-Larsen, Plaintiffs and Appellants,

v.

MUNSINGWEAR INC., a corporation, et al., Defendants-Appellees.

Nos. 82-5270, 82-5439

United States Court of Appeals, Ninth Circuit.

Argued and Submitted Sept. 26, 1983

Decided Jan. 13, 1984.

On remand of 650 F.2d 975, the United States District Court for the Central District of California, Jesse W. Curtis, H., rendered verdict for limited partnership and its general partner granting them judgment for breach of contract, royalties for patent

infringement, compensatory and punitive damages for fraud and damages for trade secret misappropriations. Defendant moved for judgment notwithstanding the verdict or for a new trial and district judge granted judgment n.o.v. as to all but fraud claim, and appeal was taken. The Court of Appeals, Chambers, Circuit Judge, held that: (1) contract claim was barred by California statute of limitations; (2) district judge's conclusion that claimed patentable aspects of device were not known and that limited partner had not produced anything beyond ordinary skill in the art, was not clearly erroneous; (3) fraud claims were not barred by limitations; (4) question of trade secret infringement was for the jury; and (5) question of tortious interference with

prospective business advantage was for the jury.

Reversed in part and affirmed in part and remanded.

Ely, Circuit Judge, filed an opinion dissenting in part.

1. Federal Courts 765

The standard for reviewing judgments n.o.v. is the same for the Court of Appeals as it is with the district courts.

2. Federal Civil Procedure 2610

Judgment n.o.v. is proper if evidence permits only one reasonable conclusion as to the verdict.

3. Federal Courts 801 On appeal from judgment n.o.v., the Court of Appeals views evidence in the light more favorable to party against whom motion is made.

4. Limitation of Actions 46(1)

Where parties to contract for a program

for commercial application of a process for garterless device for supporting women's hosiery intended that payments under contract be made at first of the month, California four-year statute of limitations for contract actions began to run when the first of three disputed payments were not paid and since plaintiff failed to file complaint within the four-year period, action for alleged breach of contract was barred. West's Ann.Cal.C.C.P. §337, subd. 1.

5. Patents 314(5)

Obviousness of a patent is a question of law for the courts.

6. Patents 324.55(4)

In action alleging infringement of a patent for the process of making effective single-layer garterless panty-girdle leg, district judge's conclusions that claimed

patentable aspects of the device were not novel and that inventor had not produced anything beyond ordinary skill in the art but rather that his claimed novelty was reflected in two patents that had not been before the patent examiner were not clearly erroneous. Fed.Rules Civ.Proc.Rule 52(a), 28 U.S.C.A.

7. Federal Civil Procedure 2141

Disputed fact issues are within the province of trier of fact.

8. Limitation of Actions 100(11)

Complaint alleging fraud in connection with a patent was not barred by California statute of limitations for fraud, although defendant contended that a reasonable person would have discovered fraud earlier and that fraud issue was time-barred; notice of violation of contract or patent rights did not trigger a duty to inquire as

to possible fraud under reasonable person notice requirements of the California statute of limitations. West's Ann.Cal.C.C.P. §338, subd. 4.

9. Torts 10(5)

One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if he discovered secret by improper means, or hid disclosure or use constitutes a breach of competence reposed in him by the other in disclosing secret to him.

10. Fraud 27

In action alleging infringement of trade secrets, there was substantial evidence that plaintiff did possess valuable secrets which he disclosed confidentially to defendant pursuant to their agreement prior to issuance of plaintiff's patents and that defendant

merchandised garment that was very closely similar to plaintiff's process, however, questions of existence of confidential relationship, fradulent motive and timing and notice of defendant's abandonment of project, and continued use of plaintiff's information and ideas were for the jury. 11. Torts 10(3)

To recover on a claim for tortious interference with a prospective business advantage under California law, plaintiff must establish existence of special economic relationship between plaintiff and third parties that may economically benefit plaintiff, knowledge by defendant of that relationship, intentional acts by defendant designed to disrupt relationship, actual disruption of relationship, damages to plaintiff, and that some identifiable pecuniary or economic benefit accrued to

defendant that formerly accrued to plaintiff.

12. Torts 28

In action alleging tortious interference with a prospective business advantage, question of whether there was tortious interference by defendant with plaintiff's ability to obtain any successful commercial advantages with others was for the jury.

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Oglesby, Minneapolis, Minn., for defendant-appellees.

Appeal from the United States District Court for the Central District of California.

Before CHAMBERS, ELY and WALLACE, Circuit Judges.

CHAMBERS, Circuit Judge:

This action was filed by Garter-Bare, a limited partnership, and by Larsen, its general partner, in California Superior Court on January 20, 1972, and was then removed to the United States District Court where summary judgment was rendered in favor of the defendant, Munsingwear. In Garter-Bare v. Munsingwear, 650 F.2d 975 (9th Cir. 1980), (hereafter "Garter-Bare I") we reversed the summary judgement on the ground that there were triable issues of fact that precluded its use. On remand,

the jury rendered its verdict for the plaintiffs granting them $3,000 for breach of contract, royalties (in an amount to be determined) of 7% for patent infringement, $500,000 for trade secret misappropriation, and $15 million compensatory damages and an additional $15 million as punitive damages, for fraud.

Munsingwear moved for judgment notwithstanding the verdict or for new trial and thereafter made a second motion for new trial, now alleging the discovery of new evidence. The district judge granted judgment n.o.v. as to all but the fraud claim, or a new trial if the judgment n.o.v. were overturned. He granted a new trial on the fraud claim, but thereafter granted summary judgment in favor of Munsingwear on the ground that the claim was barred by the California statute of

limitations (C.C.P. §338(4)). An interlocutory appeal from the final judgment (No. 82-5270) merged with an appeal from the final judgment (NO. 82-5439), after the order for summary judgment on the fraud issue had been entered. The complaint is stated in several claims. We will discuss them separately and, as we do so, the interrelationship of the claims will become self-evident.

Contact Claims

[1] Judgment n.o.v. was granted as to the claims founded on the written contract executed by the parties, on the basis that they were barred by the four-year statute of limitations under California law (C.C.P. §337(1)). The standard for reviewing judgments n.o.v. is the same with this Court as it is with distrct courts and it

applies not only to the contract claims, but to other claims raised by the complaint (see infra).

[2,3] Judgment n.o.v. is proper if the evidence permits of only one reasonable conclusion as to the verdict. California Computer Products v. International Business Machines Corp., 613 F.2d 727, 733 (9th Cir. 1979); Fountila v. Carter, 571 F.2d 487 (9th Cir. 1978). On appeal from judgment n.o.v., we view the evidence in a light most favoarable to the party against whom the motion is made. Shakey's Inc. v. Covalt, 704 F.2d 426, 430 (9th Cir. 1983); Kaplan v. Burroughs Corp., 611 F.2d 286, 290 (9th Cir. 1979). The key issue is that of the existence of substantial evidence to support the jury's verdict.

In their Agreement of July 9, 1965, the parties agreed to a three-phase program for

the commercial application of the Larsen process for a garterless device for supporting women's hoisery; a six-month research and development phase, followed by a two-year phase during which Munsingwear would have an exclusive license, followed by a third phase during which the parties would have proceeds from industry-wide licensing.

Executed contemporaneously with the Agreement, which by its terms said nothing about cancellation, was a First Amendment to the Agreement, providing such right to both parties. The provision giving Munsingwear this right stated that it might cancel:

> ...upon 90 days prior written notice to the license Garter-Bare; however, any and all royalties due and accruing to Garter-Bare at the cancellation date

shall be paid within 30 days of cancellation."

A Second Amendment extended the original six-month research and development phase for six months and provided for monthly payments of $1000 per month, "or said Agreement is terminated as provided for therein." The collaboration of the parties continued at times without any formal extension of the research and development period. But a Third Amendment was executed extending it for a six-month period, to expire on January 1, 1968, and its wording was substantially the same as the Second Amendment.

In Garter-Bare I, we held that disputed fact issues relating to the contract claims precluded pretrial summary judment based on the statute of limitations (C.C.P. §337(1)). At the trial, on remand, the

jury determined that a letter from Munsingwear on December 22, 1967, was accepted by Garter-Bare "as a termination of the agreement to pay the $1000 per month", but that Garter-Bare "retained its claims to the three monthly payments which it contends was [sic] due it." The jury also specifically found that the parties did not mutually intend the research and development phase to be extended beyond January 1, 1968.

[4] Given these findings as the intent of the parties we conclude, with the district judge, that the four-year statute of limitations began to run at least by December 22, 1967, or surely by January 1, 1968 when the first of the three disputed $1000 payments was not paid. In any event, by January 18, 1968, when Munsingwear

notified Garter-Bare that it intended to make no further payments.

In Garter-Bare I, 650 F.2d at 979, we unwisely did what we had chastised the district judge for doing, i.e., anticipating the jury on questions of fact. Our statement that C.C.P. §337(1) could not begin to run until the first payment was due and was not paid (which we stated would be thirty days after December 22), was not accurate and we retract it. The terms of the Agreement called for payment at the first of the month; this is what the parties agreed to. Therefore, the failure or refusal of Munsingwear to make the payment due on January 1, 1968, was of unquestionable significance in the factual history of the case. As the complaint was not filed until January 20, 1972, judgment n.o.v. was the appropriate action for the

district court to take on the issue of the claims based on written contract.

Patent Claims

The amended complaint claims infringement of the Larsen patent, namely his '748 patent for a process of making an effective single-layer garterless panty-girdle leg. At the time that the parties executed their Agreement, in 1965, Larsen warranted that the device that he was disclosing to Munsingwear either was, or would be, covered by patents. The process referred to at that time was for a double-layer cuff on the girdle leg. The jury accepted his contention that the parties "by their conduct mutually intended that the research and development program be extended to include the single-layer garment." There is substantial evidence to support their findings on this issue. The jury also held that Larsen's single layer patent,

thereafter obtained as '748 was valid and that it had been infringed by Munsingwear.

[5,6] The district judge granted judgment n.o.v. on the ground of the obviousness of the '748 patent, accepting the jury verdict as advisory only, and as was his right exercising the duty to determine the issue of obviousness as a matter of law. Appellants appropriately concede that obviousness is a question of law for the court. Sarkisian v. Winn-Proof Corp., 688 F.2d 647, 651 (9th Cir. 1982), cert. denied sub nom. Carsonite International Corp. v. Carson Mfg. Co., ___ U.S. ___, 103 S.Ct. 1499, 75 L.Ed.2d 930 (1983). However, they contend that the district judge did not review the Larsen patent claims against the standard set by Graham v. John Deere Co., 383 U.S. 1, 17 86 S. Ct. 684, 693, 15 L.ED.2d 545 (1966), i.e., by

considering 1) the scope and content of the prior art, and 2) the differences between the prior art and the claims at issue, and 3) the level of ordinary skill in the art. We must reject their argument on this score. The district judge held that the claimed patentable aspects of the '748 device were not novel and that Larsen had not produced anything beyond the ordinary skill in the art, but rather that his claimed novelty was reflected in two patents that had not been before the patent examiner. We cannot say on this record that the district judge's conclusions were clearly erroneous. F.R. Civ.P. 52(a); Sarkisian w, winn-Proof Corp., supra, at 651. The judgment n.o.v. on this issue is affirmed; the jury's award of royalties based ont he claimed infringement of the '748 patient is reversed.

Fraud Claims:

The jury awarded Garter-Bare $15 million as compensatory damages for Munsingwear's fraud and also awarded Gartre-Bare a further $15 million as punitive damages. The district judge granted a new trial on the ground that the patent was not valid and the jury's consideration of the faud issues was contaminated by its reliance on the supposed validity of the '748 patent.

The jury had also specifically found that the complaint, filed on January 22, 1972, was timely-filled insofar as the statute of limitations for fraud (C.C.P. §338(4)) was concerned.

That statute provides for a three year period for fraud, or mistake but:

> The cause of action in such case [is] not deemed to have accrued until the

discovery, by the aggrieved party, of the facts constituting the fraud or mistake.

In the Garter-Bare I, 650 F.2d at 981, we stated the test that is applied in California as "when a reasonably prudent person would have had such knowledge as to put him on injury." Hobart v. Hobart Estate Co., 26 Cal.2d 412, 437, 159 P.2d 958 (1945). We also there held that pretrial summary judgment was improper as to the issue of the statute of limitations for graud, as disputed questions of fact, or facts susceptible of opposing inferences are tried by the jury and disputed questions of fact existed in the case.

At the trial, the jury specifically found that the complaint, filed on January 22, 1972, was timely insofar as the fraud claims were concerned. The jury responded

"No", to a special interrogatory asking:

> Do you find that Larsen had such information as would lead a reasonable man to suspect that Munsingwear was defrauding him more than three years before the commencement of this legal action?

On the motion for new trial, the district judge held that this finding was "contrary to the great weight of the evidence" and granted the new trial. Later, following the receipt of "new evidence" offered in support of Munsingwear's motion for new trial, he granted Muynsingwear's post-trial motion for summary judgment on the basis that the matter was barred by the applicable statute of limitations.

Garter-Bare argues that the evidence is not "new", and perhaps more important, it

argues that it is not material and is not of a quality to permit the district judge to overturn the jury's findings on the issue of the statute of limitations. The materiality contention is one that demands close review.

Evidence that was in the record before us in Garter-Bare I is summarized in that opinion. At the trial the jury was aware of that evidence, including evidence of Larsen's communications with his attorney Mr. Burum, in the final weeks of December 1967 and during January 1968, after Munsingwear, by its letter of December 22, 1967, announced that it "did not wish to review" the Agreement beyond the final date (January 1, 1968) of the last extension of the research and development period.

The jury also had before it testimony from Mr. Larsen that during 1968, he had

consulted Mr. Burum and also his patent attorney, Mr. Wallen. He also testified that he had consulted with Mr. Graham Sterling whom he described in his testimony as being not only an attorney, but a member of the Board of Trustees of Occidental College, where Larsen had several friends on the faculty or in the administration. He also testified that he had consulted two other patent attorneys. One of them, Robert Parker, was also a friend whom he knew through Occidental College.

The jury was also aware that around December 22, 1978, Larsen obtained knowledge of an advertsement in Women's Wear Daily announcing Munsingwear's intended release for merchandising of new styles in its Vassarette line of girdles. Several ads are in the record, many of them showing a woman dressed in street clothing

the written portions of the ads stress that the new garterless styles eliminated bulges caused by garters and permit a smoother contour in the woman's outer clothing. One ad shows a woman dressed in a girdle, but there is not way of determining from a study of the ad whether it is, for instance, a double-layer leg (which had been merchandised in various forms before) or a single-layer leg. Moreover, there was nothing in the picture that would disclose the type of friction element. The ads speak of a "stocking locking" girdle with "soft stretch knit" and speak of the legs of the girdle locking the stocking leg in place. One speaks of "ripples of foam" but, again, this is totally inadequate to give notice of the technical nature of the friction element.

Larsen testified that he could not determine if the advertised styles encomapssed his ideas. His attorney advised him that it would be necessary to obtain a garment, and study it, in order to determine if there were any patent infringement. A specimen girdle was obtained on January 22, 1969, within the three-year period predating the filing of the complaint.

Larsen's examination of the girdle led him to conclude that his ideas had been used, but he also noticed a label indicating that the garment was protected by a patent or patent pending. His inquiry to Munsingwear, asking for clarification, produced a letter dated January 22, 1969, from Mynsingwear's attorney stating that he had "no knowledge of any Patents or Patent Applications containing allowed claims that would cover style No's. 888 and 988."

Larsen's single layer patent application was then before the Patent Office and Larsen stated that he considered that he was being invited to follow through on theat application and this "make good" on the warranty language in his Agreement with Munsingwear, stating that patent protection would be available on the inventions covered by that Agreement.

In the spring of 1970 Larsen learned for the first time that Connie Cuozzi, hired by Munsingwear in May 1967, had applied for a patent applicable to styles 888 and 988 in February 1969 (thus within of the date of the letter advising of no knowledge of any patent applications). Garter-Bare's attorney argued to the jury that there was no notice of any fradulent activity (as opposed to conduct related to breach of contract or patent infringement)

prior to the time Larsen obtained knowledge of the Cuozzi patyent or, at the very earliest, when the specimen garment was obtained for inspection. We must assume, on this record, that the jury agreed and this its agreement is reflected in its finding that the fraud issues were not barred by the reasonable person standard of the statute of limitations.

The materiality of the "new evidence" offered on Munsingwear's motion for new trial is put squarely in issue. That evidence consisted of the deposition testimony of Dr. Richard Gilman of occidental College, to whom Larsen had gone in November 1967 seeking financial help in anticipated litigation, presumably with Munsingwear. It was Gilman who advised Larsen to consult with Graham Sterling. Gilman's testimony as to Larsen's

conversations at that time were not protected by the attorney-client privilege that had precluded discovery of, or testimony by, Steling himself.

On this record, we cannot accept Munsingwear's position that the post-trial evidence offered at to Gilman's recollection was material so as to permit summary judgment in its favor. Gilman's testimony indicates that the only topics considered at this time were Garter-Bare's contract and patent rights. Indeed, Munsingwear has conceded that Sterling gave no advice or counsel as to fraud. Gilman states only that Larsen came to him seeking financial assistance for litigation and "patent rights and a patent situation was the central issue". Gilman recommended that Larsen see Sterling because of the latter's association with Occidental

College and his experience in "corporate law and contracts". Larsen stated at that time that he believed Munsingwear was about to manufacture or had manufactured a fabric that "utilized his patent rights and processes" and he believed he was entitled to damages or royalties "but he needed clarification of some particulars relating to that contract." Gilman understood that Sterling's function would be to examine the contract. After the meeting with with Sterling, Larsen reported to Gilman. Gilman testified he understood from him conversation that Larsen believed he had "sound and solid patent protection and a firm and envorceable contract." Gilman's testimony in his deposition was that Larsen's interest was in obtaining "royalties or indemnity" against Munsingwear; he spoke of Larsen's claim

regarding his "patent rights and royalties". The litigation that was contemplated, as Gilman reported it, was "for patent infringement."

It is Munsingwear's position that a reasonably prudent person would, of necessity, be put on notice of the neeed for injury into its fradulent activity, by the very nature of the notice that Garter-Bare had as to Munsingwear's breach of contract and patent infringement. Indeed, Munsingwear attempts to support the summary judgment in its favor, on the ground that no other conclusion is possible using the reasonably prudent person test of C.C.P. §338(4). We have grave difficulty with this assumption that notice of contract breach or notice of patent infringement constitutes, at law, notice of any fraud perpetrated by the defendant. No

authority offered by Munsingwear supports its contention that notice of the violation of one's contract or patent rights triggers a duty to inquire as to possible fraud under the reasonable person notice requirements of C.C.P. §338(4). We note, in passing, that if Munsingwear's contention were accepted, the notice provisions of C.C.P. §338(4) would supersede, and all but destroy, the absolute four-year limitation period for actions based on written contract (C.C.P. §337) whenever it might appear that any fraudlent motive or interest underlay the breach.

[7,8] We are left with the same test as we announced in Garter-Bare I, 650 F.2d at 979, that disputed factual issues are within the province of the trier of fact. The jury under instructions that neither

part attacks, considered the question of the statute of limitations for fraud, and the evidence of Larsen's contacts with attorneys, and his knowledge of the Women's Wear Daily advertisement. The Gilman deposition testimony is wholly consistent with the position of Garter-Bare that there was nothing sufficient to put a reasonably prudent person on notice of fraud in the weeks and months prior to January 20, 1969. The Gilman evidence neither permitted, nor compelled, summary judment for the defendant.

The district court's order for new trial as to the fraud claim must, however, be affirmed. The very high damages awarded for the fraud (1$15 million compensatory and $15 million punitive) have been acknowledged by all as an extremely liberal award and we have no difficulty affirming

the grant of a new trial as to the damages. The closer question is whether a new trial is warranted on the issue of liability. The scale tips in favor of the district judge's evaluation of the interrelationship of the various claims and the potential impact on the fraud verdict of the jury's assumption that the Larsen '948 patent was valid. We therefore also affirm a new trial as to liability on this claim.

Trade Secret Claims

In response to special interrogatories put to them on the special verdict, the jury found five areas in which Munsingwear infringed trade secrets given in confidence by Larsen. The five trade secrets found by the jury were:

1. The preferred operating conditions for the Larsen experimental machine described in the letter by Knut

Larsen to Richard Thistlethwaite of December 13, 1965.

2. The information that plastiseal HC111 acquired from Carum Latex had proven to work on the Spandex and the experimental machine to produce the samples already made.
3. The fact that an industrial-type glue gun can be made to act as a plastiseal extruder in the process.
4. The source of the Fox Argo glue gun which worked.
5. The removal of residual oil on the Spandex was important to maintaining adhesion of the plastiseal.

The immediate issue is that of the propriety of the judgment n.o.v. in favor of the defendant as to these five instances of alleged trade secret infringement. The

standard here, as before (see supra), is that of substantial evidence to support the jury's findings.

[9] California follows the Restatement (First) of Torts, §757, in its definition of a trade secret. Chicago Lock Co. v. Fanberg, 676 F.2d 400, 404 (9th Circ.1982); Forro Precision, Inc. v. International Business Machines, 673 F.2d 1045, 1057 (9th Circ.1982); Sinclair v. Aquarius Electronics, Inc., 42 Cal.App.3d 216, 116 Cal.Rptr. 654, 658 (1974).

Section 757 states:

> One who discloses or uses another's trade secret, without a privilege to do so, is liable to to other if
>
> (a) he discovered the secret by improper means, or
>
> (b) his disclosure or use constitutes a breach of

> confidence resposed in him by the other in disclosing the secret to him, or...

The instructions that were given without objection, and are not attacked on appeal, reiterate the definition of Section 757 and of a Comment following it, including specific statements as to the necessity for, and conditions of, the secrecy of the information. The jury was appropriately instructed as to the secrecy of certain information imparted to the defendant by the plaintiff prior to the issuance of the plaintiff's patents. The jury was also instructed,

> The subject matter of a trade secret must be secret. Whether such a degree of secrecy existed in a particular case is a question of fact for you, the jury, to decide, It is not negated

because one, by an expenditure of effort, might have collected the same information from sources available to the public...

The district judge, in his opinion granting judgment n.o.v. discusses the five trade secrets found by the jury to be finfringed and stresses that the plaintiff had not proved the secrecy of the information comprising the five trade secrets. He states that matters of public knowledge or general knowledge in industry cannot be appropriated by one as his secret returning repeatedly, in his opinion, to plaintiff's failure to demonstrate that the information was not known generally in the industry. Thus, the judgment n.o.v. is supported by the district judge's view of the evidence in the light of the assumed burden of proof of the plaintiff to prove

secrecy. With this we have difficulty given this history of the parties working in the research and development of Larsen's device, the cancellation of their Argreement by Munsingwear allegedly because it had discontinued interest in the ideas and the product for lack of commercial potential, and the almost immediate development of the ideas and the product -- resulting in the merchandizing of the girdles and the obtaining of the Cuozzi patent which Munsingwear admits was in all relevant respects the same as the Larsen '748 patent which predated it.

[10] On this record we find substantial evidence that Larsen did possess valuable secrets which he disclosed confidentially to Munsingwear pursuant to their agreement, prior to the issuance of his patents. On this record we find

substantial evidence that Munsingwear mechandised a garment that was very closely similar to the Larsen process. This being so, the burden shifted to Munsingwear to show that.

> at the time, it could have arrived at the process by independent invention, inspection, or reverse engineering.

Henry Hope X-Ray Products, Inc. v. Marron Carrel, 674 F.2d 1336, 1341 (99th Cir. 1982), quoting from greenberg v. Croydon Plastics Co., Inc., 378 F. Supp. 806, 815 (E.D. Pa. 1974).

This shift of burden is of importance in this case. The district judge, in support of his judgment n.o.v. noted that there was "undisputed evidence" that the defendant never used H-111-C plastisol and that if did not use the Fox Aro glue extruder. The evidence in the record can

be read as supporting a contrary conclusion. There is substantial use of Munsingwear's interest in, study of, and work with, the trade secret information found to be such by the jurors, giving the jurors' verdicts the benefits of the presuptions to which they are entitled on a review of judment n.o.v. "Use" during the contractual research and development period may, on this record, be deemed to have extended into Munsingwear's "use" of it in the period that followed its notice that it was abandoning the project. Once again, the interrelationship of one count with another, a factor which the district judge himself noted, makes it impossible as to these trade secret claims, to disregard the pleading and evidence from which the jurors might have found the existence of a confidential relationship, a fradulent

motive in the timing and notice of Munsingwear's "abandonment" of the project, and the continued use of Larsen's information and ideas in the so-called Cuozzi process which Minsingwear actively developed in the Post-"abandonment" period.

The state of the record is such that judgment n.o.v. cannot be affirmed as to the five trade secret claims. At the same time, the alternative order for new trial cannot be overturned on this record. Given the interwoven nature of the claims and the exceptionally high damages, a new trial is appropriate as to liability and as to damages on the trade secret claims.

Appellee contends on appeal that judgment n.o.v. might be sustained on the ground that these trade secret claims are barred by the two-year statute of limitations for claims based on oral

contract (C.C.P. §339) or the three-year statute of limitations for claims based on oral contract (C.C.P. §339) or the three-year statute of limitations for fraud (C.C.P. § 338(4)). The district court judge did not base his judgment n.o.v. on this ground and we, likewise, refrain from doing so. Garter-Bare contends that that gravamen of the trade secret claims is fraud, and as we have noted, there are heavy fraud overtones in the pleading and in the evidence Garter-Bare sought to produce. If there are fact issues to be determined as to applicability of the statute of limitations to the trade secret claims, inquiry may be made by the trier of fact, on retrial. Claims for tortious interference with prospective business advantages:

[11] The jury awarded Garter-Bare $500,000 on its claims that Munsingwear was guility of unfair competition under California tort law. This court has recognized the California tort as requiring the plaintiff to establish:

[11] The jury awarded Garter-Bare $500,000 on its claims that Munsingwear was guilty of unfair competition under California tort law. This court has recognized the California tort as requiring the plaintiff to establish:

(1) the existence of a special economic relationship between appellants and third parties that may economically benefit appellants;

(2) knowledge by the appelles of this relationship;

(3) intentional acts by the appellees designed to disrupt the relationship;

(4) actual disruption of the relationship; and

(5) damages to the appellants. Rickards v. Canine Eye Registration Foundation, Inc., 704 F.2d 1449, 1456 (th Cir. 1983), citing Buckaloo v. Johnson, 14 Cal.3d 815, 827, 537 P.2d 865, 872, 122 Cal.Rptr. 745, 752 (1975). It is also essential that "some identifiable pecuniary or economic benefit must accrue to appellees that formerly accrued to appellants." Id. 704 F.2d at 1456.

[12] The district judge granted summary judgment holding the the invalidity of the Larsen '745 patent, "plaintiff's potential for economic benefit derived from the licensing and sale of its product is limited to competing in the marketplace

with a product whose concept lies wholly within the public domain." He held that the obtaining of the Cuozzi patent and its later dedication to the public caused no tortious interference with plaintiff's prospective business. Moreover, he held that there was no showing of damage as there was no evidence to show that any manufacturer declined to contract with Garter-Bare because of the fear of a battle with Munsingwear.

Garter-Bare responds that evidence of Garter-Bare's efforts to delay the filing of the Larsen patent application on the single-layer garment, added to its announced abandonment of the research and development under its agreement with Garter-Bare, added to its simultaneous development of the so-called Cuozzi process and the obtaining of a patent by its

employee Cuozzi, followed by its very successful merchandising of the girdle styles incorporating the so-called Cuozzi process, lead to inevitable inferences of damage to Garter-Bare's ability to enter into any other profitable relationships for the commercial exploitation of the Larsen process. Garter-Bare points to the reality of "one of the giants of the garment industry" merchandising a garment under its own patent which, in essential respects is identical to the Larsen patent. (Munsingwear at oral argument admitted that the Cuozzi patent was anticipated by the Larsen patent). Was this evidence such that the jury might infer tortious interference with Larsen's ability to obtain any successful commercial advantages with others in the garment industry? Applying the traditional standard to a

judgement n.o.v., as to this issue, we must come down on the side of the party against whom the judgment was rendered. The advantage flowing to one who causes tortious unfair competition may be either pecuniary or competitive. DeVoto v. Pacific Fidelity Life Ins. Co., 618 F.2d 1340, 1348 (9th Cir. 1980). We cannot overlook the evidence in this record of Munsingwear's competitive advantage seen particularly in the context of the specific acts which Garter/Bare alleged, and the jury obviously believed, were fraudulent acts.

While we reverse the judgment n.o.v. as to this tort claim we are, once again, persuaded that the alternative grant of a new trial on this issue should not be disturbed. As noted earlier, the new trial as to damages seems required. A new trial

as to liability presents a closer question, but the district court's concern with the possible impact of the assumed validity of the '748 patent cannot be ignored. The order for new trial is therefore affirmed.

Summary:

This case has consumed the energy and emotion of the parties and of the court for nearly fourteen years. The expense caused by this protracted litigation is manifest. It is a case that should be settled, and settled promptly, giving realistic and concrete attention to each party's vulnerability and each party's strength. it is not a time for either side to opt for further gambling. It is a time for a termination of the litigation through realistic compromise and settlement.

In summary, we affirm the judgment n.o.v. as to the claims based on patent.

Solely on the ground of the bar of the statute of limitations, we affirm the judgment n.o.v. as to the contract claims. We reverse summary judgment as to the fraud claims, but affirm the grant of a new trial as to both liability and damages as to those cliams. We reverse judgment n.o.v. as to the claims based on tortious interference with prospective business advantage and on misappropriation of trade secrets but affiirm the grant of a new trial as to both liability and damages as to those claims.[1]

Reverse in part and affirmed in part and remanded for further proceedings.

ELY, Circuit Judge, dissenting in part:

I respectfully dissent from the portion of the majority opinion that reverses the District Court quickly and decisively corrected. The record reveals that the

plaintiffs fashioned this complex action, adorned with allegations of fraud, trade secret misappropriation, patent infringement and tortious interference, from a simple $3000.00 contract dispute

1. There is pending before us a motion to strike all or portions of appellants' opening brief as excessive under our rules. Much of the material contained in the appendices is merely a reproduction of material in the record but permission of the court should have been obtained. We grant the motion as to the material in the various appendices. We deny the motion as to the material contained in the brief proper, i.e., contained in the pages ending at page 72. over the

interpretation of the agreement and a claim of patent infringment. The jury, their collective vision blurred by a smokescreen of nonexistent torts and plaintiffs' pleas for sympathy, overlooked the crucial points and awarded an outrageous and unsupportable verdict in excess of $31,000,000.00, a sum equal to nearly 80% of Munsingwear's 1979

total net worth. Unlike the jury's verdict, the District Court's rulings on Munsingwear's motions for judgment notwithstanding the verdict ("judgment n.o.v."), and post-trial motion for summary judgment on plaintiffs' fraud claim, were squarely based upon the applicable law and the evidence and should be affirmed.

FRAUD CLAIM:

It is my view that the District Court correctly held that the plaintiffs' claim for fraud was barred by the applicable statute of limitations.

To determine this issue on summary judgment requires undisputed material facts which leave the inference that a "reasonably prudent person" would have had such knowledge as to put him on "inquiry" more than three years prior to the filing of the complaint. Garter-Bare Co. v.

Munsingwear, Inc., 650 F.2d 975, 981 (9th Cir. 1980) (Garter-Bare I). See also Von Brimer v. Whirlpool Corp., 536 F.2d 838, 848-49 (9th Cir.1976); Turner v. Lundquist, 377 F.2d 44, 46-48 (9th Cir.1967). Such a finding requires the emphasis of two general legal propositions. First, we have held that section 338(4) of the California Code of Civil Procedure establishes an objective "reasonably prudent person" standard for determining when the statute of limitations begins to run. A plaintiff's personal uncertainty about, or mere failure to discover all the facts of the existence of, a fraud claim is immaterial. See Von Brimer, 536 F.2d at 848; Lundquist, 377 F.2d at 47-48. Second, once "inquiry," upon notice of sufficient facts indicating possible fraud is triggered, "a plaintif will be deemed to

have knowledge of facts which would have been disclosed in a more extensive investigation." Briskin v. Ernst & Ernst, 589 F.2d 1363, 1367 (9th Cir.1978); Von Brimer, 536 F.2d at 848.

From a review of the record upon which the District Court granted Munsingwear's post-trial motion for summary judgment, I cannot escape the conclusion that a reasonably prudent person would have had knowledge of facts sufficient to make him suspicious of fraud, thus putting him on inquiry. This conclusion is supported by the following material facts:

One, by mid-December 1968, Larsen obtained a copy of a Munsingwear publication containing a color photograph of a woman wearing a 988 style girlde. Upon inspection, Larsen become "concerned that [he] had been deceived and mislead

[sic] by ...Munsingwear." Unlike my Brothers, I equate deception with fraud. In fact, Black's Law Dictionary defines "deceit" as "a fradulent or cheating misrepresentation..." Black's Law Dictionary 493 (rev. 4th ed. 1951) (emphasis added).

Two, by mid-December 1968, Larsen concluded that Munsingwear's 988 girdle was a 'violation of Garter-Bare's rights." "From [its] appearance ... [23] deducted [sic] that there must be something there, where it refers to no garters, ... our secret combination to foam ripples and exclusive stay there, and then particularly to foam ripples. We deducted [sic] that it had to do with the plastisol and the friction principle that had been disclosed to Munsingwear." Upon learning these facts, Larsen began to search for the

actual girdle displayed in the photograph. Larsen also made inquirires to his lawyers, Burum and Wallen, and discussed with them the possibility of suing Munsingwear.

Three, in late November 1968, Larsen told Dr. Richard Gilman, President of Occidental College, that Munsingwear was "planning to market very shortly a product using [Larsen's] elastic fabric." Larsen also contacted Gilman in an effort to have Occidental College "participate in this [Larsen's] legal expenditures, in turn for certain payments [which] would be made to the college upon success of his litigation" against Munsingwear.

On December 13, 1968, Larsen told Gilman that: "The whole picture was 'very clear' to him, and that it was 'most important' to move right away to pursue matters with or against Munsingwear for

royalties or indemnity, as the case might be."

On December 23, 1968, Larsen's attorney Burum notified Munsingwear that his client had learned that Munsingwear was about to introduce a garterless girdle "which appeared[ed] to be a direct result of the ...[Agreement."

Four, by letter dated December 22, 1967, Munsingwear notified the plaintiffs that Munsingwear "does not wish to renew the Agreement..." Burum, by letters dated January 2 and 17, 1968, twice acknowledged that Munsingwear's letter-notice effected a cancellation of the contract. Although this event certainly did not cause the three-year fraud statue of limitations to begin, it did effectively put Burum and Garter-Bare on notice that any future employment of their designs by Munsingwear

would constitute substantial grounds for suspecting fraud.

This cumulation of undisputed pre-trial, trial, and post-trial evidence leaves the inferences that a reasonably prudent person" would have been on inquiry as of December 1968 that Munsingwear was marketing a device that plaintiffs believed was the "direct result" of the Agreement. Plaintiffs admit that they "made an inquiry on December 23, 1968, to the President of Munsingwear . . . ." This admission, in addition to the above undisputed facts, convinced the District Court that the statutue of limitations began running before the end of 1968. I am firmly convinced that his conclusion was legally correct.

The majority, in reaching its conclusion, has "grave difficulty with

[the] assumption that notice of contract breach or notice of patent infringement constitutes, at law, notice of any fraud perpetrated by the defendant." The majority further asserts that "[n]o authority offered by Munsingwear supports its contention that notice of the violation of one's contract rights or patent rights triggers a duty to inquire as to possible fraud under the reasonable person notice requirements as C.C.P.§ 338(4)." Such reasoning misses the mark. It is knowledge of facts, not precise legal theories, that triggers inquiry and the running of the statute. See Bedolla v. Logan & Frazer, 52 Cal.App.3d 118, 130 & n. 10, 125 Cal.Rptr. 59, 68 & n. 10 (1975). The salient point is that by mid-December 1968, a reasonably prudent person would have been on inquiry notice of the essential facts comprising

plaintiffs' fraud claim. These facts, in these circumstances, also constituted notice of contract breach or notice of patent infringment; however, the "dual nature" of these facts should not, and does not, invalidate the conclusion that a reasonably prudent person would have had knowledge to make him suspicious of fraud, thus putting him on inquiry.

TRADE SECRET CLAIMS:

On appeal from the judgment n.o.v., the key issue for our review is whether the plaintiffs have presented substantial evidence to support the jury's verdict. See California Computer Products v. International Business Machines, 613 F.2d 727, 733-34 (9th Cir.1979).

The majority correctly points out that Munsingwear contends on appeal that the judgment n.o.v. on this issue might be

sustained on the ground that the trade secret claims are barred by the two-year statute of limitations for claims based on oral contract, Cal.Civ.Proc.Code § 339 (West 1982), or the three-year statute of limitations for fraud, id. at [338(4). Munsingwear also made this argument to the District Court, but the District Court did not base its judgment n.o.v. on this ground. Nonetheless, plaintiffs conceded that the gravamen of the trade secret claims is fraud, and as the majority notes, there are heavy fraud overtones in the pleading and in the evidence plaintiffs sought to product. This being so, I would affirm the judgment n.o.v. on the ground that the statute of limitations for fraud bars the trade secret claims, for the reasons I have above set forth in respect to the fraud claim.

Even if one reaches the merits, plaintiffs' trade secret claims must fail because, as the District court correctly concluded, there is no substantial evidence that the five claimed trade secrets either were legally protectable secrets or were used by Munsingwear.

First plaintiffs failed to show that the "preferred operating conditions" of Larsen's machine were not matters of general knoweldge or that it would have been difficult to acquire this information except through improper means. See Clark v. Bunker, 453 F.2d 1006, 1009-10 & n. 5 (9th Cir.1972). To the contrary, the evidence establishes that, for many years prior to any work by Larsen, plastisol or latex had been applied to fabrics and subsequently cured by passing them through ovens. Indeed, a patent issued in 1959

(U.S. Patent No. 2,893,315) shows an operation for applying elastomeric friction elements in the form of latex dots to glove fabric in a manner nearly identical in operation to that of Larsen's machine. Nor is there any substantial evidence that Munsingwear used the knowledge of the "preferred operating conditions" subsequent to the termination of the research and development period.

Second, as the District Court correctly observed, H-111-C was obtained from Caram Latex--"a commercial supplier of a variety of products freely available in the marketplace"--and Larsen did not select the product at all. Instead, Larsen simply described to Caram Latex a result he wished to obtain, and Caram Latex selected the specific product that it believed would accomplish the task. As the District Court

correctly noted, "anyone making the same request would have been supplied the same product." The evidence also establishes that plastisols were being applied to fabrics, cured on fabrics in ovens, and used in a variety of ways, including as friction elements, long before Larsen did any work in this area, let alone shared his "knowledge" with Munsingwear. On this record, the H-111-C information simply did not rise to the level of a legally "protectable trade secret." See id.

Third, plaintiffs failed to produce evidence that either the fact that an industrial-type glue gun could be made to act as a plastisol extruder or that Fox Aro Company was a source of such a gun were secret, were not generally known, and would have been information difficult to obtain except by improper means. See id. The

plastisol applying heads used with Munsingwear's machine were designed and manufactured by Munsingwear personnel. And, as the District Court correctly observed, there was no evidence that it was not generally known in the industry that a "glue-gun" could be made to act as an extruder for materials including plastisols. On the evidence produced at trial, the District Court was correct in concluding that there was no substantial evidence to establish either that the "glue-gun" information constituted a "protectable trade secret" or that Munsingwear used a Fox Aro glue extruder subsequent to the research and development period.

Fourth, plaintiffs simply did not produce any evidence either that the cleaning of residual oil from spandex was

not generally known in the industry or that Munsingwear used this information.

Finally, in reversing the District Court's judgment n.o.v., that majority states that the burden was shifted to Munsingwear to show that "at the time, it could have arrived at the process by independent invention, inspection, or reverse engineering." In so reasoning, the majority first concludes, without supporting its conclusion, that the plaintiffs have proved a crucial fact-the fact that the information at issue was indeed "secret." If I understand the law correctly, the burden is on the plaintiffs to show, without resort to presumptions of any kind, that the claimed trade secrets are "secret." See Frodge v. Untied States, 180 U.S.P.A.583, 587 & n. 3 (Ct.Cl.1974). The plaintiffs simply have not produced

substantial evidence to support such a conclusion. The District Court was correct in granting the judgment n.o.v. as to the trade secret claims.

CLAIMS FOR TORTIOUS INTERFERENCE WITH PROSPECTIVE BUSINESS ADVANTAGE.

As with the trade secret claims, the key issue for our review is whether there is substantial evidence to support the jury's verdict. See California Computer Products, 613 F.2d at 733-34.

Plaintiffs allege that Munsingwear's acts lead to "inevitable inferences of damage" to plaintiffs' ability to enter into profitable relationships for the commercial exploitation of the Larsen process. In reversing the District Court's judgment n.o.v., the majority relies on evidence in the record of Munsingwear's "competitive advantage" seen "in the

context" of allegedly fraudulent acts. As to the evidence of Munsingwear's competitive advantage, I have little disagreement. Munsingwear is indeed "one of the giants of the garment industry." The point at which I must part company with the majority hinges on the question it does not ask insistently enough: Did the plaintiffs present substantial evidence that they were deprived by Munsingwear of any probable beneficial economic relationship or that they sustained any approximately caused damage? This question must be answered in the negative. Viewing the evidence of Munsingwear's obvious competitive advantage "in the context" of alledgedly fraudulent acts does not mask the fact that plaintiffs simply have not produced substantial evidence of the elements of their claim.

Plaintiffs have not produced a single reasonably probable "profitable relationship for the commercial exploitation of the Larsen process" that they could have entered into but for Munsingwear's acts. Plaintiffs attempted unsuccessfully to license the '748 patent to 43 companies. Yet plaintiffs produced no evidence that any of the 43 companies they contacted ever refused a license due to any act of Munsingwear. There is no evidence that Munsingwear did anything to cause such universally negative responses to plaintiffs' atrtempts to license the '748 patent. The obtaining of the anticipated Cuozzi patent was not enough. There is no substantial evidence that the mere issuance of the Cuozzi patent "interfered" with plaintiffs' licensing opportunities in any way. Thus, there is

no substantial evidence that Munsingwear's acts proximately caused any particularized damage to plaintiffs. This being so, I would affirm the District Court's judgment n.o.v. as to this issue.

CONCLUSION:

As the majority aptly points out this case has consumed the energy and emotion of the parties and of the court for nearly fourteen years. And, as the majority states, the expense cassed by this protracted litigation is indeed manifest. This Court now has the opportunity to bring a just and proper end to the litigation. Yet, the majority unwisely elects instead to grant a new trial on three of plaintiffs' claims. I sincerely believe that the plaintiffs have had a full and fair opportunity to presecute their claims and have failed in that attempt by not

presenting substantial evidence to support those claims. The District Court's judgments should be affirmed in all respects.

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

GARTER-BAR COMPANY, an unincorporated association a limited partnership), and KNUT L. BJORN LARSEN, Plaintiffs and Appellants, vs. MUNSINGWEAR INC., a corporation, et al., Defendants and Appellees.	Nos. 82-5270 and 82-5439 Order Denying Petition for Rehearing

Before: CHAMBERS, ELY AND WALLACE, Circuit Judges.

Appellants' petition for rehearing is denied.

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

GARTER-BAR COMPANY, etc., et al.,	)Nos. 82-5270) 82-5439
Plaintiffs-Appellants,	)
vs.	)DC# CF) 73-1911 JWC)Central)California
MUNSINGWEAR, INC., etc., et al.,	)
Defendants-Appellees.	) O R D E R

The mandate, having issued in error by the Clerk, is recalled pending disposition of the appellees' petition for rehearing en banc.

FOR THE COURT:

PHILLIP B. WINBERRY
Clerk of Court

By: _____

Cathy A. Catterson
Chief Deputy Clerk

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

GARTER-BARE COMPANY, an unincorporated association a limited partnership), and KNUT L. BJORN LARSEN, Plaintiffs and Appellants, vs. MUNSINGWEAR INC., a corporation, et al., Defendants and Appellees.	Nos. 82-5270 and 82-5439 Order Denying Petition for Rehearing

Before: CHAMBERS, ELY AND WALLACE, Circuit Judges.

Judges Chambers and Wallace have voted to deny appellees petition for rehearing. Judge Wallace has voted to reject the suggestion for rehearing en banc and Judge Chambers recommends such rejection. Judge Ely has voted to grant the appellees'

petition for rehearing and recommends that the suggestion for rehearing en banc be adopted.

The full court has been advised of the suggestion for en banc hearing, and no judge of the court has requested a vote on the suggestion for rehearing en bac. Fed. R. App. P. 35(b).

The petition for rehearing is defined, and the suggestion for a rehearing en banc in rejected.

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

GARTER-BARE COMPANY, an unincorporated association, (a limited partnership), and KNUT L. BJORN-LARSEN	)	
Plaintiffs,	)	No. CV73-1911-JWC
v.	)	
	)	MEMORANDUM AND ORDER
MUNSINGWEAR, INC., a corporation, et al.,	)	
Defendants.	)	

The court has before it defendants' motion for judgment non obstante veredicto or, in the alternative, for a new trial. By this motion defendants seek to set aside a jury verdict against them awarding plaintiffs judgment in the sum of $31,003,000.00.

The case involves a controversy between the parties over the validity of plaintiffs patent of a lady's panty girdle and certain conduct on the part of the defendants which the plaintiffs contend violate the provisions of a written contract and constitute a breach of a fiduciary relationships.

Before discussing the merits of the case, a general statement of the facts is necessary.

FACTS

In April of 1963, the plaintiff Larsen conceived of certain improvements in women's girdle structures in which the conventional garter fasteners were replaced by a double cuff extension on each leg of the girdle, the inner surfaces of which were covered with an elastomeric material which gave frictional support to a woman's

hose when positioned over the inner flapand under the outer flap. Larsen applied for a patent on his double cuff girdle on December 23, 1963 pursuant to which a Letters Patent No. 3,253,599 was issued on May 31, 1966.

In April, 1965, the plaintiffs contacted the defendant Munsingwear with the intention of engaging in some arrangement for the commercial develop of Larsen's idea. As a result, the parties entered into an agreement on July 9, 1965, which, although extended several times, as amended was to expire according to its terms December 31, 1968.

In general, the agreement provided that a period of research and development would be conducted in order that Munsingwear might determine whether the girdle had a

commercial value. If Munsingwear determined that it did, it would have an exclusive license to sell the garment for a specified period of time on payment of a 5% royalty, and that the parties would thereafter own the patent and share equally in any licensing revenue. Munsingwear further agreed to pay Larsen the sum of $1,000.00 a month as an advance against royalties subject to Munsingwear's right to terminate the agreement by giving three months notice.

By letter dated December 22, 1967, Munsingwear gave notice of its intention not to extend the July, 1965 agreement as amended and refused to make any further payments of $1,000.00 to Larsen upon the theory that the agreement had expired according to its own terms and that no three months notice was required.

The plaintiff Larsen developed a further concept of this girdle structure which has been referred to throughout this litigation as a "single layer girdle." This concept consists of a single cuff of stretchable elastic fabric lined with elastomeric elements which overlie the top of the stocking, holding it in place by friction and pressure against the leg of the wearer. On January 12, 1967, Larsen applied for a patent on this "panty girdle and stocking support" for which he received a patent on November 18, 1969, patent No. 3,478,748.

Although Larsen subsequently obtained another patent on "a method of forming friction protrusions on elastic, open mesh garment fabric," it is the patent 3,478,748 which is the subject of this action.

In May, 1967, Munsingwear employed Concetta L. Cuozzi in their design department, who designed and ultimately patented a "single layer girdle," Patent No. 3,496,944. This patent was subsequently dedicated to the public domain.

Since no pretrial conference order was ever signed, no precise statement of the many issues raised by the pleadings appears in the record. However, the parties throughout the trial and in their moving papers now before the court have dealt almost exclusively with the following six issues:

1. The contractual issues involving the construction of the agreement of July 9, 1965, as amended;

2. The validity of plaintiffs' '748 patent;

3. Plaintiffs' trade secrets, and

their alleged misappropriation;

4. Defendants' conduct which plaintiffs allege to have been fraudulent, and whether plaintiffs' claim is barred by the statute of limitations;

5. Defendants' alleged unfair competition;

6. The appropriate measure of damages.

The jury returned a special form of verdict, which in general favored the plaintiffs and awarded both compensatory and punitive damages. Further details of the verdicts will appear in the discussion of the issues which follows.

BREACH OF CONTRACT

The first four counts in the complaint are based upon breach of contract and, in particular, the agreement of July 9, 1965, as amended. In count one plaintiffs claim

the letter of December 22, 1967 was not termination notice as required, so that the agreement to pay $1,000.00 a month advance royalty was never terminated. In count two plaintiffs contend that under the agreement they are entitled to 5% royalty on Munsingwear sales based upon the continuing existence of the agreement. In the third cause of action plaintiffs claim $1,000.00 a month for each of the months of January, February, and March, 1968, on the alternate theory that the agreement was effectually terminated by the letter dated December 22, 1967. In count four plaintiffs contend that, assuming the contract is still in effect, they are entitled to a one-half interest in the Cuozzi patent.

In special interrogatories furnished the jury, it found that the partiies did not mutually intend the research and

development period to be extended beyond January 1, 1968, and that although Garter-Bare accepted Munsingwear's letter of December 22, 1967 as a termination of the agreement to pay the $1,000.00 monthly royalties, they did not waive their claim to three months payments which continued to accrue. The net result was that the jury awarded the plaintiffs the sum of $3,000.00 as unpaid royalties.

This portion of the verdict cannot be sustained for, as a matter of law, it is barred by the statute of limitations. Cal. Civ. Proc. § 337 (1) provides that an action on a written contract must be brought within four years of the time of its accrual. The cause of action accrues when there is a remedy available. Barlow v. City Council of Inglewood, 32 CA. 2d 688, 197 P. 2d 721 (1948).

According to the undisputed evidence, on January 2, 1968, (Exhibit D 101), and again on January 17, 1968 (Exhibit D 102), Mr. Peter F. Burum, attorney for Garter-Bare, acknowledged Munsingwear's cancellation of the agreement of July 9, 1965, as amended, and asserted that a payment of Three Thousand Dollars ($3,000.00) royalty was due from Munsingwear to Garter-Bare for the months of January, February and March of 1968. On January 18, 1968 (Exhibit D 103), Mr. Alden M. Hanson, the Secretary-Treasurer of defendant, Munsingwear, notified Mr. Burum that Munsingwear did not believe any further royalty payments were due and that these royalty payments would not be paid.

It would appear, therefore, that plaintiffs' cause of action for breach of contract as it relates to the royalties,

accrued at least as early as January 18, 1968. Since this action was not filed until January 22, 1972, it was not brought within the period allowed by the statute. As to this issue, the verdict must be set aside and defendants are entitled to judgment thereon.

VALIDITY OF PATENT NO. 3,478,748

I shall next consider the issue of validity of the patent, since resolution of this issue will largely affect the remaining issues in the case.

The question here was whether Larsen's invention was obvious, for nonobviousness is an essential element of patentability.

The jury in its special verdict found the patent valid and awarded plaintiffs a royalty of 7%, presumably on all infringing articles sold. However, the question of whether or not an invention is obvious is a

conclusion of law for the court to decide. Sakraida v. Ag Pro, Inc., 425 U.S. 273,280 (1976) (the ultimate question of patent validity is a question of law); Graham v. John Deere Co., 383 U.S. 1, 17 (1966) (same); see also Bergman V. Aluminum Lock Shingle Corp. of America, 251 F.2d 801, 809 (9th Cir. 1957) (Pope, J. concurring).

In Graham v. John Deere Co., supra, the Supreme Court laid down a three-part factual analysis to use in the determination of the obviousness of an invention under section 103:

> Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the

obviousness or nonobviousness of the subject matter is determined.

383 U.S. at 17.

To begin with, it would appear that the plaintiffs have the burden of proving nonoviousness. Since the most pertinent prior art is the French Patent Anthon 1,297,197 and the United States Patent Kleindienst 1,851,067, neither of which was before the patent examiner, the presumption of validity is overcome. Namirowski v. Nabisco, Inc., 421 F. Supp. 349 (N.D. Ill. 1976), Aff'd 567 F.2d 392 (7th Cir.), cert. denied, 435 U.S. 971 (1977).

The Anthon patent shows a panty girdle similar in all respects to that claimed by Larsen in his patent, except that it claims that the elastomeric friction elements are "attached," whereas, the Larsen claim refers to the elastomeric elements

"adhering." In Anthon the friction elements consisted of elastic threads or ribbions sewn onto the cuff; whereas, Larsen applied latex directly to the material where during the curing process it became imbedded in it. Plaintiffs' patent expert admitted that if the word "adhering" in the Larsen's claim one were changed to read "attached" every element of the claim would be found in the Anthon reference. Plaintiffs' argument for patentability of the '748 patent is directed not to a new girdle structure, but rather to the manner in which the elastomeric friction elements are attached to a fabric. The evidence shows without conflict that long before any work was done by Mr. Larsen, various plastisols, latexes, neoprenes, and other materials would be deposited on fabrics to produce elastomeric friction elements. The

Kleindienst patent teaches the application of latex to a faric to produce elastomeric friction elements. United States Reissue Patent Wells, et al., 22,167 (Exhibit 141), discloses forming friction elements on the fabric of a glove in such a manner that the portions of the fabric become imbedded in the friction elements. The '748 patent is directed to a combination of old elements which is patentable only when it produces an unusual and surprising result. Great Atlantic & pacific Tea Co. v. Supermarket Equip. Corp., 340 U.S. 147, 152 (1950). As plaintiffs' own expert witness admitted, if someone in 1962 had taken a latex and prepared as shown in the Kleindienst patent and substituted it for the rubber ribbon set forth in the Anthon patent, the resulting structure would have all the elements of both claims 1 and 6 of the '748 patent.

Considering the factual background of the Larsen patent in light of the teachings of Graham v. John Deere Co., I conclude that the invention is obvious, for in its creation Larsen has not produced anything beyond the ordinary skill in the art. Consequently, I hold that claims 1 and 6 of the '748 patent are invalid and the findings of the jury to the contrary must be set aside and judgment awarded to the defendants on this issue.

TRADE SECRETS

We next move to a consideration of the trade secrets. Of the many trade secrets claimed by the plaintiffs, the jury, by special verdict found the following to be trade secrets: (1) the preferred operating conditions for the Larsen experimental machine described in the letter by Larsen

to Richard Thistlethwaite of December 31, 1965; (2) the information that plastisol H-11-C acquired from Caram Latex had proven to work on the spandex, and the experimental machine to produce the samples already made; (3) the fact that an industrial type glue gun can be made to act as a plastisol extruder in the process; (4) the source of the Fox Aro gun which worked; and (5) that the removal of residual oil on the spandex was important to maintain adhesion of the plastisol. The jury found that these trade secrets were misappropriated and awarded judgment in favor of the plaintiffs in the sum of $500,000.00.

The jury's verdict on this aspect of the case cannot be supported by the evidence. California follows section 757 of the First Restatement of Torts which

requires the plaintiff to establish the following factual elements: (1) that he is the owner of a trade secret, (2) that defendant has discovered the trade secret by improper means or that his use of the trade secret constitutes a breach of confidence reposed in him by the plaintiff in disclosing the trade secret, (3) that defendant has used the trade secret, and (4) that plaintiff has been damaged. See Walker v. University Books, Inc., 602 F.2d 859 (9th Cir. 1979).

In the first place, a trade secret must be secret. Matters of public knowledge or general knowledge in industry cannot be appropriated by one as his secret. A substantial element of secrecy must exist so that except by the use of improper means there would be difficulty in acquiring the information. Id. at 865.

As to the preferred operating conditions of the Larsen machine, there was no showing that these were not matters of general knowledge in the industry or that it would be difficult to acquire this information except through improper means. To the contrary, the testimony indicated that the industry had for many years, prior to any work done by Mr. Larsen, applied plastisols by passing them through an oven. But more importantly, there was not evidence whatever to indicate that Munsiningwear had ever used the machine or its knowledge of the operating characteristics to produce any garment subsequent to the termination of the research and development program. In fact, the uncontradicted evidence is to the contrary.

As to the information that Caram LatexH-11-C plastisol would work, the evidence showed that Caram Latex is a commercial supplier of a variety of products freely available in the marketplace. Mr. Larsen indicated that he was not sure what it was but he thought it was polyvinylchloride because that was the term that Caram Latex used when they sent it to him. Furthermore, he did not select the product, he merely specified a result he wished to obtain, and Caram Latex selected the product which they felt would do the job. There is no indication but anyone making the same request would have been supplied the same product. Furthermore, the undisputed evidence is that the defendants never used H-11-C plastisol.

As for Fox Aro as a source of an industrial type glue gun which could be

used as a plastisol extruder, here again, there is an absence of evidence that such information was in any way secret and not generally known to the industry. The uncontradicted proof is that Munsingwear designed and manufactured its own extruder and did not use the Fox Aro product.

As to the residual oil removal to maintain adhesion of the plastisol, the record contains no evidence that this knowledge was not generally known in the industry and, furthermore, there is no evidence that Munsingwear ever used this information.

I hold, therefore, that the special verdicts of the jury holding these to be trade secrets must be set aside on the ground that such findings are wholly without evidentiary support, and that the

defendants are entitled to judgment on the issue of trade secrets.

FRAUD

Plaintiffs' claim of fraud was predicated to a large extent upon the validity of their patent and the misappropriation of their trade secrets. Having found in favor of the plaintiffs on these two issues, the jurors no doubt relied to some extent on these findings in reaching their conclusion with respect to the issue of fraud. Although there was some evidence upon which the jury could make such a finding separate and apart from any considerations of patent validity of trade secret misappropriation, it is impossible to tell the extent to which, if at all, the jury was influenced by the belief that the patent was valid and the trade secrets were misappropriated. Under

these circumstances, it would appear that a new trial is necessary in order that a jury may determine the issues of fraud in its proper setting.

Furthermore, the defendants have raised the statute of limitations as a bar to the prosecution of this claim. In that respect the jury made a specific finding that Larsen has not received such information as would lead a reasonable person to suspect that Munsingwear was defrauding him at any time more than three years before the commencement of this action. It is undisputed, however, that on or about December 16, 1968. Garter-Bare through its general partner Larsen came into possession of a publication by the Hollywood Vassarette Division of Munsingwear which contained a color photograph of a woman wearing a Hollywood Vassarette 988 panty

girdle. Such publication was a twelve-page brochure identified as "Supplement to Women's Wear Daily Advertisement, dateS November 7, 1968 (Exhibit D 112).

Upon inspection of this photograph, Larsen became concerned that Munsingwear was improperly or unjustly marketing Garter-Bare girdle structures without compensation to Garter-Bare.

Prior to December 23, 1968, Larsen had discussed the Munsingwear 988 girdle as disclosed in the Hollywood Vassarette brochure with two Garter-Bare attorneys, Mr. Burum and Mrs. Wallen. On December 23, 1968, Mr. Burum wrote to Mr. A Byron Reed, president of Munsingwear, Inc., and indicated that Garter-Bare felt that Munsingwear's "stocking locking" girdle styles No. 888 and 988 were a direct result

of the agreement which had existed between Garter-Bare and Munsingwear (Exhibit D 113).

In the face of this undisputed evidence, the jury's findings on the statute of limitation issue is contrary to the great weight of evidence.*/ Thus, for this additional reason a new trial should be granted on the issue of fraud.

The defendants have added an additional ground for a new trial--the discovery of new evidence relevant to the issue which was not available to them at the time of the trial. If this evidence is true, it further supports defendants' contention that the fraud count is barred by the statute of limitations.

UNFAIR COMPETITION

The jury awarded plaintiffs $500,000.00 in compensatory damages for interference

with Garter-Bare's prospective business advantage. This advantage was the opportunity to license its product to the garment industry. Plaintiffs contend they were prevented from prospective advantage by the defendants patenting their own girdle, which made it impossible for plaintiffs to license their own patent for a similar girdle.

In order to establish such interference, plaintiffs must prove: first, a potential economic relationship containing the probability of future economic relationship containing the probability of future econmic benefits to it; and second, proximately caused damages. See Buckaloo v. Johnson, 14 Cal. 3d 815, 827, 122 Cal. Rptr. 745 (1975).

Having held that the plaintiffs' patent is invalid, plaintiffs' potential for

econmic benefic derived from the licensing and sale of its product is limited to competing in the marketplace with a product whose concept lies wholly within the public domain. The defendants, by obtaining the Cuozzi patent and later dedicating it to the public, caused no tortious interference with plaintiffs' prospective business. Plaintiffs and defendants are simply both competitors, free to engage in legitimate competitive exercise.

Furthermore, Garter-Bare could show no damage. It could not name any specific licensees and there was no evidence to show that any manufacturer declined to contract with the plaintiffs because of the fear of legal battle with the defendants. In my view, the plaintiffs have failed to establish their claim of unfair competition, and the jury's verdict as to

this issue must be set aside and a judgment entered for the defendants.

In the event of a reversal of this decision, it would appear that an order granting a new trial would be appropriate in view of the fact that the jury's finding of patent validity and misappropriation of trade secrets undoubtedly was a major factor in the jury's award. This court's ruling to the contrary on both issues would undoubtedly bring about a much different result in the event of a new trial.

DAMAGES

In my judgment the award of damages in this case as to all counts is excessive. No doubt the jury was influenced to a great extent by the belief that the Larsen patent was valid and was infringed and that Munsingwear had misappropriated Larsen's trade secrets. Furthermore, an assessment

of the damages on the issue of fraud should wait a new trial in order to determine whether that count is barred by the statute of limitations. The award of punitive damages in the sum of $15,000,000.00 is also excessive and was no doubt based upon the same erroneous assumptions upon which the compensatory award was determined.

As a result of the foregoing,

IT IS HEREBY ORDERED that a judgment non obstante veredicto be awarded the defendants on the issue of the breach of contact, the issue of trade secrets, and on the issue of patent validity, and in the event of a reversal by the Circuit Court of Appeals of this court's decision on any of these issue, the court grants a new trial on such issues on the ground that the jury's verdicts are contrary to the great weight of the evidence, and the verdict is excessive.

IT IS FURTHER ORDERED that a new trial be granted on the issue of unfair competition.

DATED: December 15, 1981.

JESSE W. CIRTIS
United States District Judge

FOOTNOTE

*/

The California three-year statute of limitations for fraud, (C.C.P § 338 (4)), begins to run "when a reasonably prudent person would have had such knowledge as to put him on inquiry. . . ." Garter-Bare Co. v. Munsingwear, Inc., 622 F.2d 416, 423 (9th Cir. 1980. Once a party is aware of sufficient facts to be put on inquiry, he is charged with "the knowledge of facts which could have been discovered by . . . an investigation." Bedolla v. Logan & Frazer, 52 Ca. App.3d 118, 131 (1975).

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

GARTER-BARE COMPANY, an unincorporated association (a limited partnership) and KNUT L. BJORN-LARSEN,	)	
Plaintiffs,	)	No. CV 73-1911-JWC
v.	)	ORDER AMENDING MEMORANDUM AND ORDER DATED DECEMBER 15, 1981
MUNSINGWEAR, INC., a corporation,	)	
Defendant.	)	

Plaintiffs having moved pursuant to Title 28 U.S.C.A. § 1292(b) to amend this court's Memorandum and Order dated December 15, 1981 and entered December 17, 1981 to include therein certain statements required by 28 U.S.C.A. § 1292(b) and F.R.A.P. Rule 5(a); and

Plaintiffs having moved pursuant to F.R.C.P. Rule 59(e) to amend said

Memorandum and Order to correct certain errors therein; and

Defendant having moved pursuant to F.R.C.P. Rule 60(a) to correct clerical errors in said Memorandum and Order; and

The court having heard the arguments of counsel, considered the briefs filed herein, and being fully advised, it is

ORDERED, that the Memorandum and Order dated December 15, 1981 and entered December 17, 1981 is hereby amended by deleting the last two paragraphs thereof and inserting in place thereof the following three paragraphs:

> "IT IS HEREBY ORDERED that a judgment non obstante veredicto be awarded the defendant on the issue of the breach of contract, the issue of trade secrets, the issue of unfair

competition, and on the issue of patent validity, and in the event of a reversal by the Circuit Court of Appeals of this court's decision on any of these issues, the court grants a new trial on such issues on the ground that the jury's verdicts are contary to the great weight of the evidence, and the verdict is excessive.

"IT IS FURTHER ORDERED that a new trial be granted on the issue of fraud, and further that defendant's Rule 60(a) motion be granted.

This order involves a controlling question of law as to which there is substantial ground for difference of opinion, and an immediate appeal from this order may materially advance the ultimate termination of this litigation."

DATED: February 12, 1982

JESSE W. CURTIS
United States District Judge

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

GARTER-BARE COMPANY ET AL	CASE NUMBER
PLATINTIFF(S)	CV 73-1911-JWC
vs	
MUNSINGWEAR, INC.	NOTICE OF ENTRY
DEFENDANT(S)	

TO THE ABOVE NAMED PARTIES TO THEIR ATTORNEY(S) OF RECORD:

You are hereby notified that ORDER AMENDING MEMORANDUM & ORDER Dated 12-15-81 in the above entitled case was entered in the docket on 2-16-82.

You are also notified that if this case was tried and you introduced exhibits into evidence, they must be claimed at this office after the expiration of thirty days from the receipt of this notice. (After

sixty days in cases in which the United States, its officers or agencies were parties). Unless they are claimed within thirty days after the expiration of the above period, they will be destroyed pursuant to Local Rule 20(a). If an appeal is taken they will, of course, be held until the Appellate Court finally determines the matter. Exhibits which are attached to a pleading will not be destroyed but will remain as a permanent record in the case file.

Office - Supreme Court, U S
FILED
JUL 2 1984
ALEXANDER L. STEVAS,
CLERK

83-2163

No. 2163

IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1984

GARTER-BARE COMPANY, a limited partnership, and KNUT L. BJORN-LARSEN,
Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,
Respondent.

(Patent documents)
APPENDIX TO
PETITION FOR A WRIT OF CERTIORARI
To the United States Court of Appeals
for the Ninth Circuit

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July 2, 1984

Nov. 18, 1969 K. L. BJORN-LARSEN 3,478,748

PANTY GIRDLE AND STOCKING SUPPORT

Filed Jan. 12, 1967

FIG. 1.

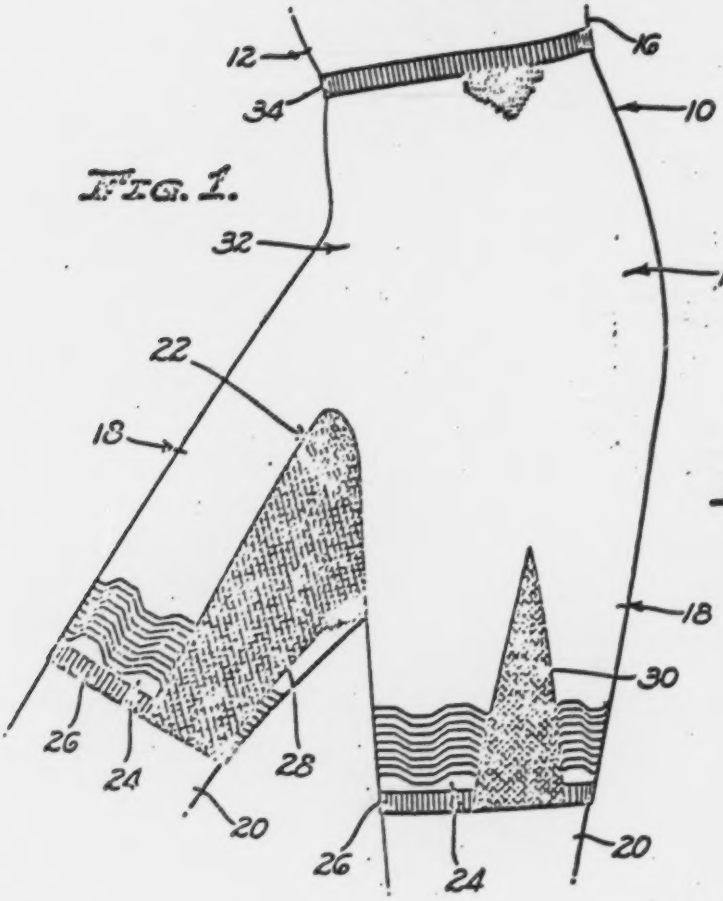


FIG. 3.

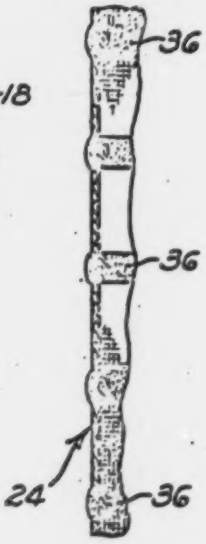
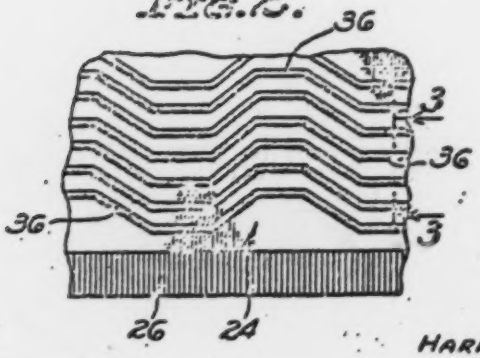


FIG. 2.



INVENTOR.
KNUT L. BJORN-LARSEN

BY HIS ATTORNEYS.
HARRIS, KIECH, RUSSELL & KERN

United States Patent Office 3,478,748 Patented Nov. 18, 1969

3,478,748

PANTY GIRDLE AND STOCKING SUPPORT

Knut L. Bjorn-Larsen, 128 S. Hacienda Ave., Glendora, Calif. 91740

Filed Jan. 12, 1967, Ser. No. 608,829
Int. Cl. A41c 1/02; A41f 11/00; A41b 9/04
U.S. Cl. 128—535 6 Claims

ABSTRACT OF THE DISCLOSURE

A panty girdle having leg portions terminating at their lower ends in annular stocking-supporting portions of stretchable, elastic, knitted fabric provided on their inner surfaces with inwardly protruding, elastomeric friction elements frictionally engageable with the outer surfaces of the tops of stockings encasing a wearer's legs to support the stockings with the inner surfaces of the stocking tops in direct engagement with the wearer's legs.

Cross-reference to related application

Ser. No. 494,822, filed by me on Oct. 11, 1965.

Background of the invention

My Patent No. 3,253,599, issued May 31, 1966, relates to a stocking-supporting garment, such as a panty girdle, having a body portion adapted to encase the hips and abdomen of a wearer and to extend upwardly at least to the wearer's waist, having a closed crotch portion connected to the body portion, and having two leg portions connected to the body and crotch portions and adapted to encase at least the upper thighs of the wearer. The leg portions terminate at their lower ends in inner and outer annular stocking-supporting portions of stretchable, elastic, knitted fabric. The inner stocking-supporting portions are provided on their outer surfaces with outwardly protruding, elastomeric friction elements frictionally engageable with the inner surfaces of the tops of stockings encasing the wearer's legs. The outer stocking-supporting portions are provided on their inner surfaces with inwardly protruding, elastomeric friction elements frictionally engageable with the outer surfaces of the stocking tops. Thus, the stocking tops are gripped between the outwardly protruding friction elements on the inner stocking-supporting portions and the inwardly protruding friction elements on the outer stocking-supporting portions. With this construction, the stockings are securely held in place in a positive manner even during strenuous physical activity on the part of the wearer.

Objects of the invention

A primary object of the invention is to provide a stocking-supporting garment of the foregoing general nature wherein each leg portion is provided with only a single annular, stretchable, elastic, stocking-supporting portion provided on its inner surface with inwardly protruding, elastomeric friction elements frictionally engageable with the outer surface of the top of a stocking to support the stocking on the wearer's leg with the inner surface of the stocking top in direct engagement with the wearer's leg.

The foregoing construction, by providing each leg portion of the panty girdle, or similar garment, with only a single stocking-supporting portion, minimizes the bulk of the garment in the regions of the stocking tops. Consequently, the stocking-supporting portions of the garment of the invention produce no unsightly bumps or lines of demarcation even under smooth, close fitting dresses, or other outer garments, which is an important feature.

I have found that the foregoing single stocking-supporting portions, having inwardly protruding, elastomeric elements frictionally engageable with only the outer surfaces of the stocking tops, provide entirely adequate support for the stockings even during strenuous physical activity on the part of the wearer, which is an important feature of the invention.

Another and important object of the invention is to provide a stocking-supporting garment of the foregoing character wherein the annular stocking-supporting portions are formed of stretchable, elastic, knitted fabric having a relatively fine mesh and include inserts of stretchable, elastic, knitted fabric having a relatively coarse mesh, such inserts interrupting the relatively-fine-mesh parts of the stocking-supporting portions.

Another object is to provide a stocking-supporting garment wherein the inserts mentioned are located on either the inner or the outer sides of the leg portions of the garment, and are preferably located on both the inner and outer sides of the leg portions.

The foregoing inserts have greater stretchability than the remaining parts of the stocking-supporting portions of the garment. Consequently, rolling of the stocking-supporting portions outwardly and upwardly to permit positioning of the stocking tops thereunder is greatly facilitated, which is an important feature of the invention.

Another object is to provide a garment wherein the inserts on the outer sides of the leg portions taper upwardly to points considerably above the lower ends of the leg portions, and wherein the insert on the inner sides of the leg portions extend upwardly to and are connected to the crotch portion of the garment, the crotch portion preferably being formed of the same material as, or a material similar to, the inserts.

The foregoing objects, advantages, features and results of the present invention, together with various other objects, advantages, features and results thereof which will be evident to those skilled in the art in the light of this disclosure, may be achieved with the exemplary embodiment of the invention described in detail hereinafter and illustrated in the accompanying drawing.

Description of the drawing

In the drawing:

FIG. 1 is a perspective view showing a stocking-supporting panty girdle which embodies the invention in place on a wearer;

FIG. 2 is an enlarged, fragmentary elevational view showing the inner surface of annular stocking-supporting portion of the garment of the invention; and

FIG. 3 is an enlarged, fragmentary sectional view taken as indicated by the arrowed line 3—3 of FIG. 2.

Detailed description of the invention

The numeral 10 designates generally a stocking-supporting panty girdle of the invention in place on a wearer 12. More particularly, the panty girdle 10 includes a body portion 14 which extends downwardly from the wearer's waist 16 over the wearer's abdomen and hips. The body portion 14 terminates in two leg portions 18 which encase at least the upper portions of the thighs 20 of the wearer 12. A crotch portion 22 is connected to the body and leg portions 14 and 18 and prevents the panty girdle 10 from climbing upwardly toward the wearer's waist 16 during physical movement.

The leg portions 18 terminate at their lower ends in annular stocking-supporting portions 24 adapted to overlie and engage the outer surfaces of the tops of stockings, not shown, encasing the legs of the wearer 12. The annular stocking-supporting portions 24 will be described in more detail hereinafter and preferably include elastic bands 26 at their lower ends.

The leg portions 18 of the panty girdle 10 include inner and outer inserts 28 and 30 which extend upwardly from the lower ends of the annular stocking-supporting portions 24 to points considerably above the upper ends of such portions. More particularly, the inner inserts 28 extend upwardly to and are connected to the crotch portion 22, being slightly upwardly divergent. The outer inserts 30 are generally triangular, upwardly convergent inserts.

The major portion 32 of the panty girdle 10 (which major portion is defined as comprising all of the panty girdle except the crotch portion 22, the elastic bands 26, the inner and outer inserts 28 and 30, and an elastic waistband 34) is formed of a stretchable, elastic, knitted fabric having a relatively fine mesh. For example, as disclosed in my aforementioned copending application, this material may have forty-three openings per inch in the direction of the length of the fabric and thirty-two openings per inch in the direction of the width thereof. Such a material is commercially available under the trademark "Spandex."

The inner and outer inserts 28 and 30, and the crotch portion 22, which may be formed of the same material, are formed of a stretchable, elastic, knitted fabric having a relatively coarse mesh, such as about twelve openings per inch. Such a material is commercially available under the trademark "Selfedge."

With the foregoing construction, the crotch portion 22 and the inner and outer inserts 28 and 30 are relatively more stretchable than the parts of the panty girdle 10 constituting the hereinbefore-defined major portion 32 thereof. The greater stretchability of the crotch portion 22 provides greater comfort in the crotch region, while the greater stretchability of the inner and outer inserts 28 and 30 makes it easier to roll the stocking-supporting portions 24 outwardly and upwardly to permit positioning of the stocking tops thereunder.

Considering the stocking-supporting portions 24 in more detail, the parts thereof which are formed of the relatively-fine-mesh fabric mentioned are provided on their inner surfaces with inwardly protruding, elastomeric friction elements 36 frictionally engageable with the outer surfaces of the stocking tops to support the stockings on the legs of the wearer 12 with the inner surfaces of the stocking tops in direct engagement with the wearer's thighs 20. The friction elements 36 may have various configurations, and are shown in the drawing as having what can best be described as a zigzag configuration.

The friction elements 36 extend entirely through the fabric forming the relatively-fine-mesh parts of the stocking-supporting portions 24, and have portions of such fabric embedded therein to securely anchor the friction elements in place. Attention is hereby directed to my aforementioned copending application for a complete disclosure of a material suitable for the friction elements 36, and to a method of forming them with portions of the fabric on which they are formed embedded therein.

Considering briefly the operation of the invention, it will be apparent that, after the panty girdle 10 has been donned by the wearer 12, the annular stocking-supporting portions 24 may readily be rolled outwardly and upwardly, due to the relatively greater stretchability of the inserts 28 and 30. After the wearer 12 has positioned her stockings on her legs, she may then secure the stockings in place readily by rolling the stocking-supporting portions 24 downwardly until they overlie the outer surfaces of the stocking tops. The inwardly protruding friction elements 36 then frictionally engage the outer surfaces of the stocking tops to support the stockings on the wearer's legs with the inner surfaces of the stocking tops in direct engagement with the wearer's thighs 20. The friction elements 36 provide ample support for the stockings even during strenuous physical activity on the part of the wearer 12.

Although an exemplary embodiment of the invention has been disclosed herein for purposes of illustration, it will be understood that various changes, modifications and substitutions may be incorporated in such embodiment without departing from the spirit of the invention, as defined by the claims appearing hereinafter.

I claim as my invention:

1. A stocking-supporting garment having a body portion adapted to encase at least the hips and abdomen of a wearer, having a closed crotch portion connected to said body portion, and having two leg portions connected to said body and crotch portions and adapted to encase at least the upper thighs of the wearer, said leg portions terminating at their lower ends in annular stocking-supporting portions adapted to overlie and engage the outer surfaces of the tops of stockings encasing the legs of the wearer, said annular stocking-supporting portions being formed of stretchable elastic fabric material capable of biasing the inner surfaces of the stocking tops into direct engagement with the wearer's legs, and the inner surfaces of said annular stocking-supporting portions having adhering thereto inwardly protruding, elastomeric friction elements frictionally engageable with the outer surfaces of the stocking tops to support the stockings on the wearer's legs with the inner surfaces of the stocking tops in direct engagement with the wearer's legs.

2. A stocking-supporting garment as defined in claim 1 wherein said annular stocking-supporting portions are formed of stretchable, elastic, knitted fabric having a relatively fine mesh and include inserts of stretchable, elastic, knitted fabric having relatively coarse mesh.

3. A stocking-supporting garment according to claim 2 wherein said inserts are located on the inner sides of said leg portions of said garment.

4. A stocking-supporting garment according to claim 2 wherein said inserts are located on the outer sides of said leg portions of said garment.

5. A stocking-supporting garment according to claim 2 wherein said inserts are located on the inner and outer sides of said leg portions of said garment.

6. A stocking-supporting garment as set forth in claim 1 wherein said stretchable elastic fabric material includes threads at least some of which have portions embedded in said elastomeric friction elements.

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ADELE M. EAGER, Primary Examiner

U.S. Cl. X.R.

2—240; 128—530, 536

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CLERK

No. 83-2163

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1984

GARTER-BARE COMPANY,
a limited partnership,
and KNUT L. BJORN-LARSEN,
Petitioners,

vs.

MUNSINGWEAR, INC.,
a Corporation,
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION

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Dated: October 12, 1984

BEST AVAILABLE COPY

STATEMENT PURSUANT TO SUPREME COURT RULE 28.

Munsingwear, Inc. has no parent, subsidiary or affiliated corporations except The Grand Penguin International Co., a domestic international sales corporation, a wholly owned subsidiary.

RESTATEMENT OF QUESTIONS PRESENTED

1. Did the Ninth Circuit's affirmance of the District Court's alternative order granting Respondent a new trial on Petitioners' California law fraud claim deprive Petitioners of their Seventh Amendment jury trial rights?
2. Did the Ninth Circuit's affirmance of the District Court's order granting Respondent judgment notwithstanding the jury's special verdict finding that Petitioner Larsen's '748 single layer girdle patent was "valid", on the ground of obviousness:
   (a) deprive Petitioner Larsen of his Seventh Amendment jury trial right?
   (b) produce a result in conflict with the prevailing law of the United

States Court of Appeals for the Federal Circuit requiring correction by this Court?

(c) misapply this Court's ruling in Graham v. John Deere Co., 383 U.S. 1, 15 L.Ed. 2d 545 (1966), insofar as the weight and deference to be given to the jury's special verdict finding that Petitioner Larsen's '748 single layer girdle patent was "valid"?

3. Should this Court exercise its power of supervision over the federal judiciary, make an "independent determination of the law of this case consistent with the Federal Circuit's recent pronouncements" (Pet. at 54), and mandate a retrial of Petitioners' patent infringement and fraud claims?

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No. 83-2163

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1984

GARTER-BARE COMPANY,
a limited partnership,
and KNUT L. BJORN-LARSEN,
Petitioners,

vs.

MUNSINGWEAR, INC.,
a Corporation,
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION

OPINIONS BELOW

The Memorandum and Order dated December 15, 1981 (with order amending dated February 12, 1982), of the United States District Court, Central District of

California (unreported), is reproduced in Petitioners' Appendix (App. 77-111). The two-to-one panel decision dated January 13, 1984, of the United States Court of Appeals for the Ninth Circuit is reported at 723 F.2d 707, and reproduced in Petitioners' Appendix (App. 1-71).

JURISDICTION

See Petition at 2-3 for jurisdictional ground asserted.

CONSTITUTIONAL PROVISIONS INVOLVED

See Petition at 3.

STATEMENT OF THE CASE

Facts pertinent to this proceeding are set forth in Garter-Bare Co. v. Munsingwear, Inc., 650 F.2d 975 (9th Cir. 1980) ("Garter-Bare I"), and Garter-Bare Co. v. Munsingwear, Inc., 723 F.2d 707 (9th Cir. 1984) ("Garter-Bare II").

This action involves a garment adapted to support women's stockings without the use of garters, a "garterless girdle." See Garter-Bare I, 650 F.2d at 976. Petitioner Garter-Bare Co. ("Garter-Bare") and Respondent ("Munsingwear") entered into an agreement ("Agreement") in July, 1965, the subject of which was Petitioner Larsen's ("Larsen") then unpatented idea for a double layer girdle. The purpose of the Agreement was to determine whether that idea, for which Larsen's double layer girdle patent application was

then pending, could be developed into a commercially saleable product. After two and one-half years of research and development (during which Garter-Bare was fully compensated pursuant to the Agreement), Munsingwear concluded that Larsen's double layer girdle concept could not be developed into a commercially saleable product. Indeed, it never has been by anyone.

The Agreement expired on January 1, 1968, and a $3,000 contract dispute arose over Munsingwear's royalty payment obligation to Garter-Bare. In late 1968, Munsingwear made and began marketing a single layer garterless girdle. Although Munsingwear obtained a patent on that garment in early 1970, Munsingwear determined that its patent was invalid, and subsequently dedicated it to the public. Larsen also had obtained a patent on a single layer

girdle in late 1969 ("'748 patent"), some months after the Agreement had expired.

On January 20, 1972, Petitioners filed their original complaint in this action. In their Second Amended Complaint, Petitioners alleged that Munsingwear (1) breached the Agreement; (2) infringed Larsen's '748 patent; (3) misappropriated their trade secrets; (4) defrauded them; and (5) tortiously interfered with their prospective business advantage.

Munsingwear denied all of Petitioners' material allegations, raised affirmative defenses, including statutes of limitations, and counterclaimed seeking a declaration of invalidity and non-infringement of Larsen's '748 patent.

Upon trial, the jury awarded Petitioners in excess of $31,000,000. The District Court

set aside that monstrous verdict. (A "sum equal to nearly 80% of Munsingwear's 1979 total net worth". Garter-Bare II, 723 F.2d at 717 (dissent)). See Garter-Bare II, 723 F.2d at 709. It concluded that Larsen's '748 patent was invalid as a matter of law for obviousness under 35 U.S.C. § 103. (App. at 87-92).

The Ninth Circuit, in a two-to-one panel decision, affirmed the District Court's grants of judgment n.o.v. on Petitioners' patent and contract claims, reversed the District Court's grants of judgment n.o.v. on Petitioners' trade secret misappropriation and tortious interference with prospective business advantage claims (but affirmed the District Court's alternative orders granting Munsingwear a new trial on those claims), and reversed the District Court's grant of summary judgment that Petitioners' California law

fraud claim was time-barred as a matter of law (but affirmed the District Court's order granting Munsingwear a new trial on that claim). See Garter-Bare II, 723 F.2d at 716-17.

Both Petitioners and Munsingwear sought relief from the Ninth Circuit's panel decision, but all relief sought was denied. (App. at 72-76).

SUMMARY OF ARGUMENT

Petitioners' contentions that the grant of a new trial on their California law fraud claim and the grant of judgment n.o.v. that Larsen's '748 patent is invalid for obviousness deprived them of their Seventh Amendment jury trial rights are contrary to established law, totally lacking in merit, and present no issue worthy of this Court's discretionary review.

No sufficient conflict exists between the Federal Circuit's and Ninth Circuit's patent law decisions to warrant this Court's attention. Any perceived differences appear more semantical than substantive, and, measured by either court's approach, Petitioner Larsen's '748 patent is invalid for obviousness as a matter of law. Moreover, the judgment n.o.v. invalidating Larsen's '748 patent for obviousness does not constitute

a misapplication by the District Court and the Ninth Circuit of this Court's decision in Graham v. John Deere Co. To the contrary, the District Court's analysis of two pertinent prior art patents is precisely what this Court mandated in Graham v. John Deere Co., and that analysis was correctly upheld by the Ninth Circuit upon application of the appropriate standard of appellate review. There is no indication that this Court's discretionary review will lead to new or valuable precedent.

Finally, Petitioner's appeal to the exercise of this Court's supervisory powers is patently frivolous and should be rejected. Because Petitioners have failed to demonstrate "special and important reasons" for granting a writ of certiorari (Sup. Ct. R. 17.1), the Petition in all respects should be denied.

REASONS FOR DENYING THE WRIT

I.

Petitioners' Seventh Amendment Jury Trial Contention Presents No Basis For This Court's Discretionary Review

Petitioners assert that the District Court's order granting Munsingwear a new trial on Petitioners' California law fraud claim was error, and that the affirmance of that order by the Ninth Circuit deprived Petitioners of their Seventh Amendment jury trial rights. (Pet. at 13-24). The District Court concluded that, in reaching its $15,000,000 fraud verdict, the jury may have been influenced "by the belief that the patent [Larsen's '748 invalid patent] was valid and the trade secrets were misappropriated."

(App. at 98).[1] It also concluded, as an alternative ground for granting Munsingwear a new trial, that "the jury's findings on the statute of limitations issue is contrary to the great weight of the evidence." (App. at 101).

The District Court had the power to set aside the jury's fraud verdict and grant Munsingwear a new

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1. The interrelationship between Petitioners' patent and fraud claims was noted by the Ninth Circuit on the first appeal, Garter-Bare I, 650 F.2d at 982: "... as to these patent issues, with fraud claims so closely intertwined, ..." The plain fact is that, absent a valid patent covering a commercially marketable product, Petitioners had nothing of value to license to anyone. The contractual relationship between the parties, out of which this litigation arises, expressly contemplated a valid patent covering a commercially marketable product. See Garter-Bare I, 650 F.2d at 976-77.

trial. Its ruling was based upon two alternative grounds against the backdrop of an obviously "runaway" verdict lacking evidentiary support. The action of a district court "in granting or refusing to grant" a motion for a new trial "cannot be assigned for error here." Pittsburgh, C. & St. L. Ry. Co. v. Heck, 102 U.S. 120, 26 L.Ed. 58, 59 (1880); see 58 Am. Jur. 2d New Trial § 3, at 184 (1971); 6A J. Moore, J. Lucas & G. Grotheer, Jr., Moore's Federal Practice ¶¶ 59.04, 59.05 (2d ed. 1984).

Petitioners' contention that they were deprived of their Seventh Amendment jury trial rights is contrary to established law, and presents no issue worthy of this Court's discretionary review.

II.

Petitioners' Patent Law Contentions Present No Basis For This Court's Discretionary Review

A. Petitioner Larsen's Seventh Amendment Jury Trial Contention Is Without Merit.

The District Court's grant of judgment n.o.v. that Larsen's '748 patent is invalid for obviousness, and the Ninth Circuit's affirmance thereof, do not constitute violations of Larsen's Seventh Amendment jury trial right. See Galloway v. United States, 319 U.S. 372, 87 L.Ed. 1458 (1943) (directed verdict); Annot.: Judgment Notwithstanding Verdict, 69 A.L.R.2d 449, 470-72 (1960); 9 C. Wright & A. Miller, Federal Practice & Procedure § 2522 (1971).

Whether or not a patent is invalid ultimately is a question of law for the court to decide. Sakraida v. Ag Pro, Inc., 425 U.S. 273, 280, 47 L.Ed. 2d 784, 790

(1976); Graham v. John Deere Co., 383 U.S. 1, 17, 15 L.Ed. 2d 545, 556 (1966). Accord Railroad Dynamics, Inc. v. A. Stucki Co., 727 F.2d 1506, 1515 (Fed. Cir. 1984), cert. denied, 53 U.S.L.W. 3225 (Oct. 2, 1984); Connell v. Sears, Roebuck & Co., 722 F.2d 1542, 1547 (Fed. Cir. 1984); Sarkisian v. Winn-Proof Corp., 688 F.2d 647, 651 (9th Cir. en banc 1982), cert. denied sub nom. Carsonite International Corp. v. Carson Mfg. Co., _____ U.S. _____, 75 L.Ed. 2d 930 (1983) (all involving "obviousness" under 35 U.S.C. § 103).

Petitioners rely upon Connell v. Sears, Roebuck & Co., supra. (Pet. at 33, 42). In Connell, the Federal Circuit affirmed a district court's grant of judgment n.o.v., contrary to the jury's specific finding of validity based upon nonobviousness, and observed:

> "The jury's legal conclusion disregarded (and cannot stand against a contrary conclusion resting on) prior art not considered in the PTO and far more pertinent than that the PTO considered." (722 F.2d at 1550).

Connell also observed:

> "... the right to trial by jury in a civil case carries with it a number of procedural safeguards insuring ... against an improper outcome that might result from a posited unruly or 'rogue elephant' jury." (722 F.2d at 1546).

In granting Munsingwear judgment n.o.v. that Larsen's '748 patent was invalid for obviousness, the District Court did no less than did the district court in Connell, grounding its ruling principally upon two pertinent prior art patents, "neither of which was before the patent examiner, ..." (App. at 89-92). After correctly noting that Petitioners "appropriately concede that obviousness

is a question of law for the court" (723 F.2d at 711), the Ninth Circuit panel, in accord with its own prior decisions and Fed. R. Civ. P. 52(a),[2] affirmed because it could "not say on this record that the district court judge's conclusions were clearly erroneous." (App. at 18-19). The Federal Circuit in Connell did the same thing, noting the absence of any Seventh Amendment problems. (722 F.2d at 1546).

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2. Petitioners correctly acknowledge that "the Ninth Circuit was not bound by decisions of the Federal Circuit, ..." (Pet. at 53). Under similar circumstances (affirming a district court's invalidation of a patent for obviousness), the Federal Circuit also has applied Fed. R. Civ. P. 52(a) as the governing appellate review standard. See Stratoflex, Inc. v. Areoquip Corp., 713 F.2d 1530, 1535 (Fed. Cir. 1983).

Larsen's contention that he was deprived of his Seventh Amendment jury trial right is contrary to established law, and presents no issue worthy of this Court's discretionary review.

B. No Sufficient Conflicts Exist Between The Federal Circuit's And Ninth Circuit's Patent Law Decisions To Merit This Court's Discretionary Review.

Larsen's '748 patent (App. Pat. Docs. A-38-40) involves a garment adapted to support women's stockings without the use of garters, a "garterless girdle." See Garter-Bare I, 650 F.2d at 976. It issued November 18, 1969, and if not invalid, would expire November 18, 1986, in a little over two years.

The United States Court of Appeals for the Federal Circuit was created by 28 U.S.C. § 41 effective October 1, 1982. It has exclusive jurisdiction (28 U.S.C. § 1295) to

review appeals from final decisions of a district court if that court's jurisdiction was based, in whole or in part, on 28 U.S.C. § 1338.

The patent law decisions of the Federal Circuit have evolved over just the last two years. Those decisions generally accord with (and sometimes rely upon) decisions of the Ninth Circuit.[3] The patent law decisions of the Federal Circuit and Ninth Circuit as to (i) the three basic fact findings bearing upon nonobviousness under Graham v. John Deere Co., 383 U.S. 1, 15 L.Ed. 2d 545

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3. See Perkin-Elmer Corp. v. Computervision Corp., 732 F.2d 888, 893 (Fed. Cir. 1984), cert. denied, 53 U.S.L.W. 3226 (Oct. 2, 1984), citing Velo-Bind, Inc. v. Minnesota Mining & Mfg. Co., 647 F.2d 965, 971 (9th Cir. 1981).

(1966),[4] (ii) the standards to be applied in granting or denying judgment n.o.v.,[5] and (iii) the appellate standard by which the grant or denial of judgment n.o.v. should be reviewed,[6] are articulated without material difference.

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4. Compare Sarkisian v. Winn-Proof Corp., supra, 688 F.2d at 650, and Garter-Bare II, 723 F.2d at 710-11, with Connell v. Sears, Roebuck & Co., supra 722 F.2d at 1547, and Perkin-Elmer Corp. v. Computervision Corp., supra, 732 F.2d at 894.

5. Compare Memorandum and Order dated December 15, 1981 (App. at 92) and Garter-Bare II, 723 F.2d at 710-11, with Connell v. Sears, Roebuck & Co., supra, 722 F.2d at 1546, and Railroad Dynamics, Inc. v. A. Stucki Co., supra, 727 F.2d at 1513.

6. Compare Sarkisian v. Winn-Proof Corp., supra, 688 F.2d at 651, and Garter-Bare II, 723 F.2d at 711, with Connell v. Sears, Roebuck & Co., supra, 722 F.2d at

(Footnote Continued)

In one respect, the patent law decisions of the Federal Circuit and the Ninth Circuit's decision in Sarkisian v. Winn-Proof Corp., supra, have been read to differ. In Sarkisian, the Ninth Circuit en banc, after holding that "the trial court in a jury trial must submit to the jury" the three basic nonobviousness fact findings mandated by Graham v. John Deere Co., supra, (688 F.2d at 651 (emphasis added)), next held:

> "(b) The court may submit the ultimate fact of obviousness to the jury for a nonbinding advisory opinion." (id. (citation omitted and emphasis added)).

In Perkin-Elmer Corp. v. Computervision Corp., supra, 732 F.2d at 895 n.5, the Federal

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(Footnote Continued)
1550. See Velo-Bind, Inc. v. Minnesota Mining & Mfg. Co., supra, 647 F.2d at 970-71.

Circuit criticized Sarkisian, apparently reading out of context the above quoted holding as denigrating the proper role of the jury in a patent jury trial. This reading of Sarkisian by the Federal Circuit, relied upon heavily by Petitioners (Pet. at 28-33), appears at odds with both courts' pronouncements that obviousness is a legal issue for the court to decide.[7] It also appears to disregard both courts' stated preference that the three basic nonobviousness fact findings mandated by Graham v. John Deere Co., supra, be submitted to the jury by separate interrogatories, rather than pursuant to a single

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7. Compare Connell v. Sears, Roebuck & Co., supra, 722 F.2d at 1547, with Sarkisian v. Winn-Proof Corp., supra, 688 F.2d at 651.

omnibus question on the ultimate issue of validity.[8]

In any patent jury trial, a district court following the preferred verdict practice would submit separate verdict questions for the jury to answer on each of the three basic nonobviousness fact findings. Under Sarkisian, a district court "may" also submit "the ultimate fact of obviousness to the jury" (688 F.2d at 651), but if that procedure is adopted, the jury's answer to that ultimate question is simply cumulative of the jury's answers to the three prior sub-questions, which Sarkisian states a district court "must" submit to the jury. (Id.).

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8. See Perkin-Elmer Corp. v. Computervision Corp., supra, 732 F.2d at 893; Connell v. Sears, Roebuck & Co., supra, 722 F.2d at 1547; Sarkisian v. Winn-Proof Corp., supra, 688 F.2d at 650.

Since both the Federal Circuit and Ninth Circuit agree that the ultimate conclusion of obviousness is a legal issue for the court to decide, the weight to be given the jury's answer to the ultimate question, if one is propounded, is of little or no significance in the context of the court's own resolution of that ultimate conclusion. Its task, and the applicable standards for granting or denying judgment n.o.v., are not altered by the jury's answer to the ultimate issue for the court -- is the patent at issue as a matter of law invalid because it is obvious? See White v. Jeffrey Mining Machinery Co., 723 F.2d 1553 (Fed. Cir. 1983), cert. denied, 53 U.S.L.W. 3225 (Oct. 2, 1984) (reversing a district court's refusal to grant judgment n.o.v. that the patent at issue was invalid for obviousness).

The District Court here followed the practice of submitting

only a single verdict question on validity. In that jury trial context, the Federal Circuit and Ninth Circuit agree that the jury's answer to the single question on validity presumptively brings with it the existence of consistent, but unstated, verdict findings on the three basic nonobviousness issues. The Federal Circuit and Ninth Circuit also agree that those presumed specific findings are to be tested, for judgment n.o.v. and appeal purposes, as if they had been explicitly made. See Perkin-Elmer Corp. v. Computer-vision Corp., supra, 732 F.2d at 893; Connell v. Sears, Roebuck & Co., supra, 722 F.2d at 1547; Sarkisian v. Winn-Proof Corp., supra, 688 F.2d at 650; Velo-Bind, Inc. v. Minnesota Mining & Mfg. Co., supra, 647 F.2d at 971.

A careful examination of what the District Court did in granting Munsingwear judgment n.o.v. that

Larsen's '748 patent was invalid for obviousness produces the conclusion that no different result would have been reached had it explicitly done so according to the five part standard articulated by the Federal Circuit in Connell:

> "Under these guidelines, a court must: (1) consider all the evidence; (2) in a light most favorable to the non-mover; (3) drawing reasonable inferences favorable to the non-mover; (4) without determining credibility of witnesses; and (5) without substituting its choice for that of the jury between conflicting elements in the evidence." (722 F.2d at 1546).

The cornerstones for the District Court's ruling (App. at 87-92) were the teachings of Graham v. John Deere Co., supra, two pertinent prior art patents not cited to the patent examiner (App. at 89-91), and an inescapable admission of Petitioners' own expert witness (App. at 91). That

evidentiary base was more than sufficient under Federal Circuit standards for the grant of judgment n.o.v. against the "factual background of the Larsen patent in light of the teachings of Graham v. John Deere Co., ..." (App. at 92). In Connell, the Federal Circuit affirmed the grant of judgment n.o.v. invalidating a patent for obviousness, directly contrary to the jury's specific finding of validity, based upon "prior art not considered in the PTO and far more pertinent than the PTO considered." (722 F.2d at 1550).[9]

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9. This Court in Graham v. John Deere Co., supra, 383 U.S. at 25-26, 15 L.Ed. 2d at 561, in finding "no nonobvious facets in the '798 arrangement," relied heavily upon a prior art patent which was not before the patent examiner.

Petitioners build upon what appears to be the Federal Circuit's misreading of Sarkisian in Perkin-Elmer Corp., to construct a conflict between the patent law decisions of the Federal Circuit and the Ninth Circuit. (Pet. at 28-34, 55-59). No such conflict exists as to the proper role of a jury in a patent trial, and any perceived differences appear more semantical than substantive. Measured by either court's approach, Petitioner Larsen's '748 patent is invalid for obviousness as a matter of law.[10]

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10. While the District Court's view of the presumption of validity (35 U.S.C. § 282) (App. at 89) differs from that of the Federal Circuit (see Stratoflex, Inc. v. Areoquip Corp., supra, 713 F.2d at 1534), that difference was not material to the propriety of the District Court's grant of judgment n.o.v. invalidating Larsen's '748

(Footnote Continued)

Petitioners' contentions must be measured, in substantial part, against the background of this Court's denial of certiorari in Sarkisian, which is a principal focus of Petitioners' dissatisfaction, and the similarity of results achieved in the Ninth Circuit below and in the Federal Circuit's decision in Connell, both of which were based upon comparable record evidence. Petitioners' contentions present no

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(Footnote Continued)
patent for obviousness. As in Stratoflex, the District Court's determination was not predicated upon the role of the presumption. In both, the courts concluded that the patents at issue were invalid for obviousness based upon Graham v. John Deere Co., supra, and "the legal conclusion of obviousness." (713 F.2d at 1535). The appellate review standard is identical. Compare Stratoflex, Inc. v. Aeroquip Corp., supra, 713 F.2d at 1535, with Garter-Bare II, 723 F.2d at 711.

issue worthy of this Court's discretionary review.

C. There Has Been No Misapplication Of Graham v. John Deere Co. To Justify This Court's Discretionary Review.

Graham v. John Deere Co., supra, focused upon 35 U.S.C. § 103:

> "Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined." (383 U.S. at 17, 15 L.Ed. 2d at 556).

As to "secondary considerations" ("commercial success, long felt but unsolved needs, failure of others, etc., ..."), this Court said they "might be utilized" and "may have relevancy" as "indicia of obviousness or

nonobviousness." (383 U.S. at 17-18, 15 L.Ed. 2d at 556).[11]

Petitioners contend that the Ninth Circuit's affirmance of the District Court's judgment n.o.v. invalidating Larsen's '748 patent

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11. Petitioners complain about the District Court's and the Ninth Circuit's lack of concern over Petitioners' "secondary consideration" evidence. (Pet. at 43-44). Given this Court's explicit precautions that such secondary considerations "might be utilized" and "may have relevance" as "indicia of obviousness or nonobviousness" (383 U.S. at 17-18, 15 L.Ed. 2d at 556 (emphasis added)), that lack of concern was appropriate here where the District Court's conclusion of obviousness based upon two pertinent prior art patents was reached in the District Court's analytical process without any need thereafter to address the less tangible secondary considerations. "But commercial success without invention will not make patentability." Great A. & P. Tea Co. v. Supermarket Equipment Corp., 340 U.S. 147, 153, 95 L.Ed. 162, 167 (1950).

for obviousness results in an "unwarranted construction" of this Court's Graham v. John Deere Co. decision (Pet. at 48). This can be so, according to Petitioners, only because the District Court, contrary to the jury's finding of validity, concluded as a matter of law that Larsen's claimed invention was obvious, principally by reason of two pertinent prior art patents not before the patent examiner. (App. at 87-92).

The District Court's analysis of those two prior art patents is precisely what this Court mandated in Graham v. John Deere Co., quoted above. Petitioners' true complaint is not that the District Court failed in a proper application of Graham v. John Deere Co. to determine the scope and content of the prior art and the differences between it and claims 1 and 6 of Larsen's '748 patent. Petitioners true complaint is that the jury

found, as a fact, that Larsen's '748 patent was valid, and the District Court reached an opposite conclusion as a matter of law.

If this Court were to accept jurisdiction as Petitioners seek, it would then have to do what it did in Graham v. John Deere Co. and Sakraida v. Ag. Pro. Inc., supra, analyze the two prior art patents and compare them with Larsen's '748 patent. The District Court did just that in reaching its decision, and the Ninth Circuit affirmed upon application of the appropriate standard of appellate review. Unless this Court wishes to re-examine its decision in Graham v. John Deere Co.,[12] something which

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12. If this Court had such a desire, it had pending before it a far more appropriate vehicle, which it declined to utilize. See May v. American Southwest Waterbed

(Footnote Continued)

Petitioners do not suggest by any of their questions presented (Pet. at -i-), no new or valuable precedent will result from this Court's discretionary review.

Munsingwear submits that this Court's review, as Petitioners seek, would produce a result substantially similar to those reached by this Court in Graham v. John Deere Co. and Sakraida (all patents at issue held invalid for obviousness). The evolution of the law bearing upon 35 U.S.C. § 103 would not benefit from yet another decision of this Court holding a patent invalid for obviousness. During the Federal Circuit's two year existence, the number of patent decisions issued by the

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(Footnote Continued)
Distributors, Inc., 715 F.2d 876 (5th Cir. 1983), cert. denied, _____ U.S. _____, 80 L.Ed. 2d 131 (1984).

courts of appeals has dwindled to the point where very few must remain undecided. Should this Court exercise its discretionary review as Petitioners suggest, by the time this Court's decision issues there will be few, if any, patent appeals pending before the courts of appeals, other than the Federal Circuit, for which this Court's decision would be of any precedential value. Munsingwear suggests that this Court's discretionary jurisdiction would be better utilized in reviewing patent decisions of the Federal Circuit which has the on-going responsibility of appellate review of patent decisions of the district courts.

Petitioners' contentions present no issue worthy of this Court's discretionary review.

III.

Petitioners' Appeal To The Exercise Of This Court's Power Of Supervision Is Frivolous

Petitioners contend that this Court exercise its discretionary jurisdiction (Pet. at 48-58) and make "its independent determination of the law of this case consistent with the Federal Circuit's recent pronouncements and return the patent for retrial with the fraud issues ...." (Pet. at 54). This contention is frivolous and presents no issue worthy of this Court's discretionary review.

CONCLUSION

Petitioners have failed to show "special and important reasons" for this Court's discretionary review. Sup. Ct. R. 17.1. See Layne & Bowler Corp. v. Western Well Works, Inc., 261 U.S. 387, 392-93, 67 L.Ed. 712, 714 (1923). The Petition in all respects should be denied.

Respectfully submitted,

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Dated: October 12, 1984

FILED
OCT 26 1984
ALEXANDER L. STEVAS, CLERK

No. 83-2163

IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1984

GARTER-BARE COMPANY, a limited partnership, and KNUT L. BJORN-LARSEN,

Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,

Defendant and Respondent.

APPLICATION FOR SUMMARY RULING ON PETITION FOR A WRIT OF CERTIORARI GRANTING PETITION, VACATING THE JUDGMENTS BELOW AND REMANDING WITH INSTRUCTIONS TO DISMISS AS MOOT
to the United States Court of Appeals
for the Ninth Circuit

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No. 83-2163

IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1984

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APPLICATION FOR SUMMARY RULING ON PETITION FOR A WRIT OF CERTIORARI GRANTING PETITION, VACATING THE JUDGMENTS BELOW AND REMANDING WITH INSTRUCTIONS TO DISMISS AS MOOT
to the United States Court of Appeals for the Ninth Circuit

The Petitioners, GARTER-BARE COMPANY ("Garter-Bare") and KNUT L. BJORN-LARSEN ("Larsen"), plaintiffs-appellants below, request that this Honorable Court grant Petitioners' Petition for Writ of Certiorari now pending before this Court to vacate the judgments below, and to remand with instructions to dismiss as moot, and in

support of this application state:

1. A settlement of this 12-year-old litigation has been achieved by the parties, and definitive settlement documents have been executed.

2. One of the contemplated parts of said settlement is the hope by Petitioners that they will be able to salvage their patent, the correctness of the lower courts' rulings on the validity of which was an issue raised in their Petition for Certiorari.

3. In the interests of justice, and in furtherance of the express suggestions of the lower courts that the parties endeavor to settle, and in order to enable Petitioners to try to obtain all of the benefits of said settlement, Petitioners petition this Honorable Court to summarily grant certiorari, vacate the judgments below, and remand with instructions to dismiss for mootness.

4. If this Application is granted, Petitioners represent that they expect to be able to obtain Congressional enactment of special legislation concerning said patent and a similar patent obtained by Respondent and later dedicated by Respondent to the public during the course of said litigation, the effect of which enactment will be to preserve the rights of the parties without injury to the public interest;

5. Considerations of public policy, promotion of amicable settlement of litigation and protection of the rights of Petitioners, while preserving for other litigants the right to have the constitutional issues raised in Petitioners' Petition for Certiorari determined in other appropriate litigation, support the granting of the relief sought herein.

WHEREFORE, Petitioners respectfully pray that this Honorable Court grant the

pending Petition for Certiorari, vacate the judgments below, and remand with instructions to dismiss for mootness, and for such other relief as is appropriate.

Dated: October 26, 1984.

Respectfully submitted,

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_____

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Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,

Defendant and Respondent.

AFFIDAVIT OF ROBERT W. DRISCOLL IN SUPPORT OF APPLICATION FOR ORDER, TO WHICH ALL PARTIES CONSENT. GRANTING PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT, VACATING JUDGMENTS BELOW, AND REMANDING CASE WITH INSTRUCTIONS TO DISMISS AS MOOT

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October 26, 1984

EDITOR'S NOTE

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AFFIDAVIT OF ROBERT W. DRISCOLL
IN SUPPORT OF
APPLICATION FOR RULING ON
PETITION FOR A WRIT OF CERTIORARI
GRANTING PETITION, VACATING THE
JUDGMENTS BELOW AND REMANDING WITH
INSTRUCTIONS TO DISMISS AS MOOT
to the United States Court of Appeals
for the Ninth Circuit

STATE OF CALIFORNIA)
) ss:
COUNTY OF LOS ANGELES)

ROBERT W. DRISCOLL, being first duly sworn, deposes and says:

1. I am one of the attorneys for Petitioners GARTER-BARE COMPANY and KNUT L. BJORN-LARSEN, plaintiffs and appellants in the litigation involved before this

Honorable Court on the petition of Petitioners for writ of certiorari, and I am familiar with the records, pleadings and files herein and with the status of settlement negotiations between the parties to said litigation;

2. On October 26, 1984, after months of extensive negotiations, a complete settlement of this 12-year-old litigation was reached between the ligitants, and documents containing said definitive settlement were executed;

3. It is essential, if the settlement of this protracted litigation is to accomplish the preservation of the rights of Petitioners, that this Honorable Court summarily grant said Petition for Certiorari, vacate the judgments below, and remand with instructions to dismiss for mootness;

4. The importance of preserving the

rights of Petitioners is to enable Petitioners to attempt to salvage and resurrect certain rights which they feel were impaired by, and were among the principal reasons motivating their petition for certiorari for relief from, the lower courts' rulings, which rulings included the grant of a new trial on certain issues. As part of the settlement, Petitioners have given up their right to a new trial so that they can pursue said efforts to obtain special legislation. Such special legislation would only be enacted by the necessary congressional majorities if it were in the public interest. Affiant believes said legislation would be rendered exceedingly more difficult, if not impossible, of attainment if this Honorable Court were to deny certiorari.

5. A retrial of this extensive litigation, if the case was not settled certiorari were denied, would unduly burden

the federal court system, cause the expenditure by both sides of enormous additional legal effort and expense, would prolong the uncertainty and defer the rights of all parties, and would frustrate the policy of promoting amicable resolution of litigation.

6. These extraordinary circumstances justify this Honorable Court's immediate consideration of the accompanying application, without any intermediate application to the lower courts, since the probabilities are that this Court would otherwise act on the petition for certiorari before said intermediate application(s) could be completed and acted upon, with the consequence that the benefits which Petitioners hope to obtain from the settlement would be jeopardized and their efforts to salvage by settlement what they believe they would otherwise have otherwise

obtained by pursuit of this marathon litigation would be frustrated;

Wherefore, affiant respectfully prays that this Honorable Court summarily grant the pending petition for writ of certiorari, vacate the judgments below, and remand the case with instructions to dismiss for mootness, and for such other relief as is appropriate.

_____

Robert W. Driscoll

Subscribed and sworn to before me this 26th day of October, 1984.

_____

Notary Public in and for said County and State.

Office-Supreme Court, U.S.
FILED
OCT 26 1984
ALEXANDER L. STEVAS,
CLERK

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vs.

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Defendant and Respondent.

MEMORANDUM OF POINTS AND AUTHORITES IN SUPPORT OF APPLICATION FOR ORDER, TO WHICH ALL PARTIES CONSENT, GRANTING PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT, VACATING JUDGMENTS BELOW, AND REMANDING CASE WITH INSTRUCTIONS TO DISMISS AS MOOT

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October 26, 1984

EDITOR'S NOTE

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No. 83-2163

IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1984

GARTER-BARE COMPANY, a limited partnership, and KNUT L. BJORN-LARSEN,

Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,

Defendant and Respondent.

MEMORANDUM OF POINTS AND AUTHORITES IN SUPPORT OF APPLICATION FOR ORDER. TO WHICH ALL PARTIES CONSENT, GRANTING PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUI, VACATING JUDGMENTS BELOW, AND REMANDING CASE WITH INSTRUCTIONS TO DISMISS AS MOOT

The Applicants and petitioners herein, GARTER-BARE COMPANY ("Garter-Bare") and KNUT L. BJORN-LARSEN ("Larsen"), plaintiffs-appellants below, respectfully submit to this Honorable Court the following memorandum of points and authorities in support of their application, to which consent is given by MUNSINGWEAR, INC.,

defendant-appellee below and respondents herein, for order granting plaintiffs-appellants' petition for writ of certiorari now pending before this Court, vacating the decisions below, and remanding with instructions to dismiss case as moot:

1. Any party may file supplemental papers at any time while a petition for certiorari is pending calling attention of the Court to intervening matters not available at the time of the party's last filing.

Rules of the Supreme Court, Rule 22.6

2. If a case becomes moot while an appeal is pending, it is the duty of the appellate court on application to vacate the lower court judgment.

United States v. Munsingwear, Inc., 340 U.S. 36 (1950).

3. If advised the matter has become moot, this Court will summarily grant certiorari, vacate, and remand with

instructions to dismiss.

Tulare Lake Canal Co. v. United States, 103 S.Ct 712 (1982);

Alabama v. David, 446 U.S. 903 (1980).

13A Wright, Miller & Cooper, Federal Practice and Procedure: Jurisdiction 2d, |3533.10 (1984).

4. As shown in the accompanying affidavit, this case has become moot because all the parties to the litigation have entered into a binding settlement agreement which entirely resolves this matter and calls upon the parties to seek an order from this Honorable Court granting the petition for writ of certiorari, vacating the judgments below, and remanding the case with instructions to dismiss the case for mootness.

WHEREFORE, the petitioners respectfully pray that this Honorable Court grant the relief requested in the accompanying

application filed by petitioners and consented to by respondent, and for such other relief as is appropriate.

Respectfully submitted,

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